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Still Beginning

THE second instalment of the Government's economic programme embodies some inevitable emergency measures and some important decisions that will help to push the British economy back to solvency. But it is safe to say that on Tuesday evening most people felt that they had been let off lightly. That feeling is in itself, when so much remains to be done, a serious threat to the adequacy of the full programme. It was admittedly, hard to avoid. Mr Butler was not ready—with the Prime Minister barely back from Washington he could not be ready—to issue a supplementary budget forthwith; and anything less than a budget was bound to be inadequate.

The decision to bring the date of the normal budget forward by more than a month, to March 4th, was therefore the best that could be done. But it leaves everything dependent on the toughness of the budget. Here Mr Butler implied that no decisions have yet been made. Some of the attitudes he indicated are not reassuring. He spoke of the budget as "the third stage in the operation which I began last November." It will be at once more and less than that. If all goes well, the British economy will be strong enough to stand an operation next year. It is first-aid that Mr Butler must apply now; and he is still only just beginning. It is through arterial bleeding that the life of the sterling area is pouring away. Mr Butler has not yet applied a tourniquet to stop it. All he has done is to put the pad in position; the screw that will press the pad down on the artery remains to be produced on March 4th.

This demands faster policy-making than the Government has yet achieved. After three months in office it has contrived to put a little fresh wind into the expedients used by its predecessor, the expedients that led to successive crises as they periodically became exhausted. The largest measure, now as in 1947 and 1949, is the restriction of imports. It can be done only because stocks are to be run down—stocks both of consumer goods such as tobacco and of essential materials. This is the quickest and least painful way of reducing the trade deficit; in so acute an emergency there is no alternative. But to live on stocks this year is a tolerable risk only if economic policy is plainly and firmly set to ensure that next year imports can be increased sharply enough for stocks to be rebuilt.

There is no more free choice about the quickest way to increase exports. The engineering industries are to be cajoled or induced to deliver less of their output to the home market and more to overseas customers. The axe will fall most sharply on the supply of new machinery and equipment to private industry, and it is necessarily matched by some cuts in construction work on new factories, shops, and other buildings. The nationalised industries are apparently to escape lightly, and more house-building is still encouraged. This inconsistency gravely weakens the force of the whole programme. But, however bad the distribution of the cuts, this method of increasing exports quickly cannot be shunned. The mistake would be to think

that it is a policy that can work in isolation. The import cuts and the diversion of engineering products to export are intended together to reduce the supply of goods in Britain by £750 million a year. If money demand were left unchanged, there would be a direct increase in the inflationary pressure that is, as Mr Butler recognises, at the root of the external deficit. The physical restrictions would then not in fact put the balance of payments to right. They would be reflected instead in further congestion in the economy, in sharply rising prices and lower exports of other things. The austerity in imports and in capital investment would be in vain. It can achieve its purpose only if the reduction in supplies is fully matched by a reduction in demand. Mr Butler's direct emergency measures mean nothing without the financial measures to make them effective.

Those measures are of two kinds. They are action by direct monetary policy and action through the budget. Mr Butler claimed on Tuesday that the effects of tightening credit were already spreading through the economy and that the policy would be "maintained." The need, and perhaps the intention, is to push it farther. But it would be optimistic to assume at this stage that credit restriction alone will do much more than match the physical compression of investment. Consumption and defence have to be dealt with in the budget.

Mr Butler's task is therefore formidable. He has to eliminate the existing inflation and to offset two new inflationary pressures—the increase in defence expenditure and the reduction in imports of consumer goods. In theory, at least, he can do that in two ways: by cutting expenditure for purposes other than defence or by raising taxes. It is impossible as yet to guess confidently how sharp the changes may have to be. There are four principal unknowns. First, how much will the revenue from existing taxes increase in consequence of the past year's inflation? Secondly, how much of the reduction in imports can safely be matched by running down stocks rather than cutting current consumption? Thirdly, how far will prices increase faster than incomes and therefore limit the real demand on the nation's resources that consumers can make? And fourthly, how much is defence expenditure going to increase? If the rearmament programme were this year being carried out in full, its increased cost could not be much less than £700 million. Mr Butler indicated that in fact the programme will be cut. At a few points that is now inevitable. At some other points a large economic gain may wisely be secured at a small cost in military strength. But sweeping cuts should be ruled out of account. The British economy must achieve solvency, but security is the one thing that cannot be sacrificed to it.

Until these four questions can be answered, no one can say what a realistic budget is going to mean. But of one thing there can be little serious doubt. It will mean much more than the economies in government spending that Mr Butler announced on Tuesday. As far as they go, the cuts are well chosen. By the standards of previous postwar finance, it is a considerable achievement to hold non-defence expenditure constant in spite of a 10 per cent rise in prices. But in relation to the task of overcoming Britain's worst postwar crisis, of maintaining sterling as an international currency and safeguarding the living standards of these islands in a competitive world, it is inadequate. Mr Butler studiously did not mention the food subsidies on Tuesday and it is also, indeed, still open to him to make further cuts in the health service or elsewhere. This is the basis for hope. It is a hope that assumes high political courage in the leaders of the Conservative party. But they can hardly fear present unpopularity and criticism more than the ignominy of being forced out of office by the catastrophe from which the sterling area is separated by only a few months' supply of dollars.

Political calculations should, in any event, be secondary. The plain duty of Mr Churchill's Government is to strengthen the British economy whatever the consequences. It is for that, if anything, that the Conservatives can claim a mandate from the electorate. On March 4th they will have been in office for only four months, but it will in all probability be their last chance. If they fail then to take the measure of the British economic problem, to lead the country in the immediate sacrifices on which solvency and security depend, they will forfeit their claim to respect and, before long, their power to influence events.

Darkness in Egypt

A CHANGE of faces has taken place in Cairo but no one should assume that it spells any change of heart towards Britain. During last Saturday, a total collapse of public order for the space of the day demonstrated the inability of the Wafd Government to control the emotions that it had unleashed. King Farouk immediately and with aplomb exercised his royal responsibilities, dismissed the government for "failure to maintain peace and order," used the army to break up the rioters, and installed in place of the Wafd a team of independents led by a 68-year old lawyer known for his unusual honesty of purpose, Aly Maher Pasha. The speed with which all this was done is a matter for congratulation. By Sunday all was quiet and Cairo, much of it aghast, was left to contemplate the wreckage of its main commercial area as well as a considerable toll of dead. (Among them was Mr James Craig, an expert on finance who had served the Egyptian Government for over 50 years, and for whom *The Economist* cherishes personal feelings since he was at one time its local correspondent.) To those who have known Egypt in the past, there would normally be cause for comfort in the thought that this feat of restoring order was brought about by a circle of men so steeped in western ways of thought as are those who now immediately surround the King. But the events of the last few days rule out any such reassurance. The temper of the country has become such that no one is in a position to side with the west so long as British troops remain on Egyptian soil. The Wafd is not really under a cloud; it is still the prime champion of national rights and the strongest party in Egypt. Aly Maher Pasha has gone out of his way to praise it. He certainly deplores some of its methods, but he shares its principal aim, which is British evacuation of the Canal Zone. There should be no illusions on this point.

But there is one aspect of the week's events which blurs this otherwise stark outline of Egyptian policy. The composition of the rioting mobs and the excellence with

which their onslaught on westernised premises was organised places both Palace and government in a dilemma. Undoubtedly the rioters were set in motion by a British act—the previous day's onslaught by General Erskine's troops upon the headquarters of the Egyptian police in Ismailia, which alienated even moderate opinion and put the Cairo city police upon their side. Their venom was therefore in the first place directed against Britain; thus far, they were expressing emotions that fire all classes. But their activities were undoubtedly also used as cover for venting other emotions—among them the mass fervour of the Moslem Brotherhood which opposes everything that smacks of the west, and—more alarming to many Egyptians—the passions of a growing left wing that wants less for the pashas and more for the poor. For the Egyptian Government to distinguish, among this medley of motives, between those which might be condoned and those which need to be condemned would be an impossible task. A government bent upon curbing violence must stamp upon the lot. This is what King Farouk and Aly Maher did and must to some extent continue to do. But the national temper is now such that they cannot hold it in check by repression alone. In due course, other action will be demanded of them, probably in the field of social affairs and certainly in that of relations with Britain.

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Mr Eden, in a measured and temperate statement in the House of Commons on Tuesday, explained the reasons for the military attack at Ismailia which touched off so much dynamite. It had become necessary, he said, to bring about, if necessary by force, the disarmament or withdrawal of the auxiliary police who were stationed there because these were actively concerned in provoking armed clashes with the British forces. But the results of the action taken confront British policymakers with three inescapable facts. First, it is now evident that Egyptian troublemakers cannot always be intimidated by a show of force; forty-two Ismailia policemen died fighting gallantly and now furnish an example which other Egyptians, if similarly placed, will strive to emulate. Secondly, opposition to maintaining the Anglo-Egyptian treaty in its present form is far more intense than had been supposed and must govern the actions of any Egyptian cabinet, however composed. (The British argument that a treaty creates rights and must be respected is summarily dismissed by all Egyptians, who retort that the British have infringed the undertaking by exceeding the size of forces and the area of occupation which it specifies, and have, therefore, themselves invalidated it.) The third unpleasant truth is that the very presence of British troops exercises, willy nilly, an unwanted but inevitable influence upon Egypt's internal affairs. The feeling against them is now so strong that all home issues are willingly shelved until the quarrel with Britain is settled. This inactivity suits two groups—the very rich, who are thankful to cling to their privileges while they may, and the growing mass of people crushed by oppression and the ever-rising cost of living, who see the way to social change only in violent revolution. As a corollary it produces among moderates the despairing impression that the British forces are the mainstay of the die hards.

Conducted against this background of fact, an analysis of present British military and political policy in the Middle East leads to a disquieting conclusion. Pursuit of the strategic aims diminishes the prospect of success in the political. The same act is seldom if ever expedient for both. The chief military aim is well known: it relates to world strategy and can be summed up as the anxiety of the North Atlantic community to maintain armed strength in the Eastern Mediterranean both in order to support its Greco-Turkish flank and to improve its chances of holding on to its chief source of oil. The Canal Zone is the best base from which to do this on account of the access it enjoys to sea lines from two oceans. The chief political aims are twofold: one is to preserve the validity of treaties; to abandon them at the puff of opposition is to set a dangerous precedent in international relations. The other is to maintain or found in the Middle East local sentiments of affiliation with the west. Yet conditions in Egypt are now such that military security may become attainable only through the form of interference in local affairs that leads to hostility and—as last weekend proved—may produce violent social disturbance that is bound to have an anti-western complexion.

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The antithesis is complete. Some see a way out of it in military terms—in an extension of military control over Egypt on a scale sufficiently great to preclude internal revolt. But to think thus is to turn a blind eye to a worldwide range of disastrous political consequences. Such interference would be repugnant to the British home public; it would also commit troops that can ill be spared to a task that would quickly prove unwarrantably costly in money, nerves and lives. Lastly, it would diminish the charms of western alliance in the eyes of all other Asian and African peoples; for who wants interfering allies? The strategic argument for maintaining military bases in the Middle East is a very strong one; it certainly cannot be cast aside when the result of doing so would be to leave an enormous gap in the defence line of the whole free world. But it must now be clear, even to those who could not see it before, that the political price of strategic security in the Middle East is very high indeed. It must be equally clear that Britain cannot afford to pay it alone, the British political reserves are no stronger than the financial.

Thanks to the quick action of the King, the dependability of the Egyptian army (which saved many British lives in the course of saving Cairo) and the courage of Aly Maher Pasha in coming out of retirement, there is now likely to be a lull in the process of incitement and counter-irritation. Inflammatory bulletins have disappeared from Cairo's newspapers and General Erskine, it is to be hoped, can revert to his policy of reducing to a minimum the contacts between the British troops and the Egyptian people. The statesmen, too, are doing something to build a bridge. Mr Eden has repeated Britain's willingness to discuss treaty revision and has expressed his belief that there can be a solution compatible with Egypt's national aspirations; Mr Churchill has repeated Britain's desire to share with others the burden of defending the Suez Canal. Aly Maher on his side has said that he is "ready to consider any understanding Mr Eden may propose"; in particular he will think again about the four-power approach. It may have needed the horrible events of the past week to bring it home to both sides that the dangers of deadlock are greater than those of compromise. This provides the opportunity for statesmanship.

Making Prices Work—II

The Price of Labour

INFLATION, which creates more jobs than workers and makes manpower generally scarce, also encourages many factories to hoard manpower and to use it wastefully. This is by now one of the more familiar paradoxes of economic policy. Ministerial statements referred to the problem several times during the last few months before the defeat of the Labour Government ; nothing was done. The new Government can hardly claim to have grasped the nettle. Its solution, announced this week, is that eighty Ministry of Labour inspectors are to go round Britain's tens of thousands of factories looking for hoarded labour. Whether or not that is sound in principle (it is discussed on a later page), it is plainly too slight a measure in itself. But if an official inspectorate is not the way to prevent labour from being wasted, is there any alternative ?

The need is increasingly urgent ; and, by another paradox, disinflation would at first make it greater. Any normally human management lets some sleeping dogs lie if it can. Attempts to economise in manpower, leading to rows with the shop stewards and sometimes to bitter feelings throughout the factory, often do not seem worth while to the firm enjoying a sellers' market. But they may seem even less worth while for the firm whose need for labour is suddenly reduced, either because materials become scarce or because the demand for some of its products falls off. The firm will begin by hoping that the shortage, either of supplies or of orders, may be temporary. It knows that if it once dismisses workers they may be very hard to replace when business picks up or supplies improve. This is a powerful drag on a disinflationary policy. The purpose of such a policy is to reduce the less essential demands for labour and materials, in order to free resources for rearmament and exports. The firms at present possessing those resources will hold on to them as long as they can. If the cut in demand for their products is drastic enough, they must give way. But, as a matter of practical politics, the cut will probably not be very drastic. There is, therefore, need for some additional pressure which will make a mild disinflation effective by making employers in the less essential industries more willing to dismiss some of their workers.

This is the theoretical case for a payroll tax—for a levy on every firm of so much per employee per week. The argument may be stated more briefly in another, more academic form. To say that labour is scarce means that, in relation to the present volume of money demand for its products, the price of labour is too low. Demand and price can be brought into balance by action on either side. Demand can be cut—that is disinflation—or the price of labour can be raised. It generally causes the least friction to move from both sides at once. But to make labour dearer in the ordinary sense—to raise wages —is to increase incomes again and so offset the effects of disinflation. Therefore the price of labour should be raised without increasing incomes, by a tax whose proceeds the Government would save as a budget surplus.

It should be said at once that there are strong practical objections to this theoretically attractive proposal. Not least important is the purely political objection. " A tax on jobs " would be peculiarly open to misrepresentation by an irresponsible Opposition. But there are no crisis measures that cannot be misrepresented by an Opposition which wants to do so, and the political objection in itself is, therefore, certainly not conclusive. When repeated use has so nearly exhausted all the accepted expedients of economic policy, it is foolishness or worse not to examine fully and objectively any proposal that might push the economy the way it needs to go.

How, then, would a payroll tax work ? A heavy tax might be 10s. per head per week. It would yield over £500 million a year and add about 7 per cent to the national cost of labour—the total bill for wages and salaries. How would such a tax be paid ? In a few industries already suffering from a definite recession in demand, such as the clothing trade, it would probably be paid out of profits (and to that extent the yield of present direct taxes would be reduced). But in most industries the tax would, at first at least, be passed on almost in full to the consumer in higher prices. Wages and salaries are roughly half the gross national product. That is to say, a tax which raised the cost of labour by 7 per cent would fairly soon raise the general price level by about 3½ per cent.

This would be the effect on the average. The prices rising more than the average would be those of goods and services in which labour is an unusually high proportion of the total cost. To some extent, people would buy less of these things and more of others, and this redistribution of expenditure would in itself help to free labour for essential jobs—though it might also increase the pressure of demand on some materials that are in short supply. Again, within any particular industry, the firm that uses labour less efficiently than its competitors would, other things being equal, have to raise its prices more sharply ; it would, therefore, tend to lose custom, as the national interest requires.

But these discriminating results of a payroll tax, however useful they might be, are secondary. The general effect on prices might be highly dangerous. Unless the general policy of disinflation were at the same time putting a powerful brake on wage demands, a tax that raised prices by 3½ per cent might well provoke another full turn in the spiral of wages chasing prices. That could be true even of a smaller tax—say, one of 5s. a head, which would raise prices by about 2 per cent. Particular taxes, such as those for electricity and steel which were discussed in the first of these two articles, can exert an important special push without raising prices so widely as to throw the economy as a whole further out of balance. It is far more difficult to get controlled results from so generalised a device as a payroll tax.

Whether or not these complications are worth incurring depends on how strong the primary effect of a payroll tax, in itself inducing employers to dismiss redundant workers, would be. At present the gross cost to the employer of keeping on, say, ten men for whom there is temporarily no work, at an average wage of £7 10s., is £75 a week. But the net cost, if the firm is paying income and profits tax at a combined rate of

probably 60 per cent, is only £30 a week. A payroll tax of 10s. a week would raise the gross cost to £80 and the net cost to £32. It is difficult to believe that this extra 4s. a man—less than 3 per cent—would often, in present circumstances, be decisive. It is even more difficult to think that any Government would dare to impose a stiffer tax. A more likely rate is 5s. a week, and that would increase the penalty for wasting labour, after tax, by only 2s. a head—by little more than one per cent. Even that might have a useful psychological influence, bringing home to managers the national importance of saving labour ; in some firms it might just tip the balance in favour of dismissing workers now rather than holding on to them for weeks in the hope of getting the orders or the materials to employ them. But far more often, one suspects, it would make no practical difference.

This is not intended to be a final conclusion. The purpose of these two articles has been to stimulate thought about possibly useful devices that contemporary discussion has neglected. It is only tentatively suggested that a general payroll tax is a blunderbuss with too short a range to be much use in the modern economy. Perhaps the things that are needed are more of the nature of snipers' rifles. As far as the use of manpower is concerned, that would presumably be some sort of excess labour tax. The Government might lay down a schedule of non-essential industries and decree that any firm in these industries which did not cut its labour force by, say, 5 per cent in six months would be subject to a penal tax—£1 or £2 per head per week for everyone on its payroll. That is perhaps a little less fantastic, from any point of view except that of political expediency, than the excess profits tax to which the Government is committed. But a moment's reflection on the problems of definition that would be involved seems to be enough to rule it out of consideration.

If these conclusions are correct, it is important to recognise their implications. Essentially, the argument is that it is impossible to exert a significant influence on business decisions by such devices as a payroll tax because the motives of business are so thoroughly blunted by high taxation. The British economy now works by habit, not for profit. It cannot be made to change course by putting pressure on the entrepreneurs, on the people whose responsibility it used to be to make a delicate response to changing demands. For the sake of stability and security, the entrepreneur has been killed. But that does not remove the need for the economy to change course. It merely means that the pressure must be applied—more clumsily and, politically at least, more unpleasantly—on the public at large, on the consumer. It is most important to search for weapons that may still work at the traditional point, through such shadow of the profit motive as survives ; a steel tax, at least, is one such device that on first inspection still seems to have possibilities. But at the end of the search for special devices one is likely to come back to the familiar and still unpalatable conclusion: any sound economic policy for this country must be primarily a policy for cutting consumption. Security and solvency will be gained, if they are gained at all, out of the mouths and off the backs of the British people. More refined devices depend on a flexibility that governments have too long been set to destroy.

India's Choice

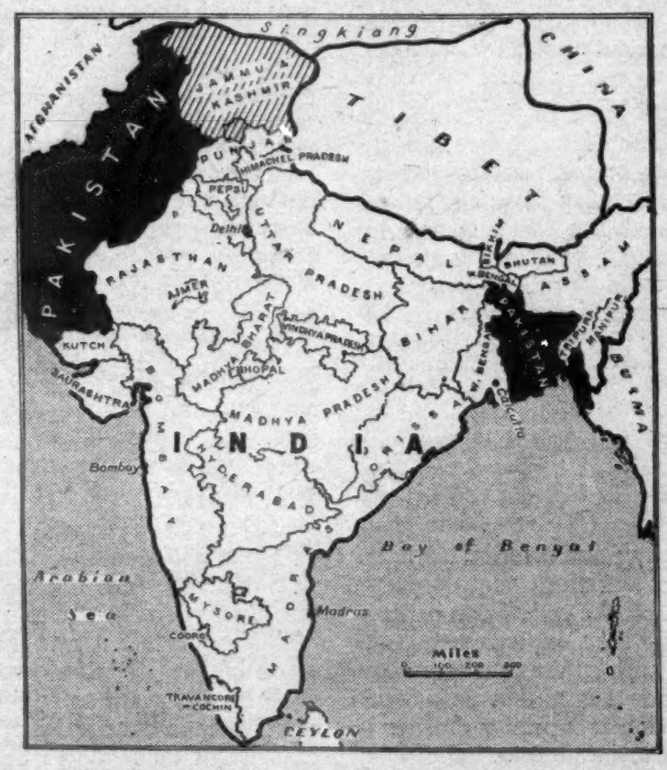
IN the Indian elections about half of the voting has now taken place, and the leaders of the Congress party begin to see how they will stand at the end. When polling finishes on February 15th they may expect to control, perhaps, three-quarters of the seats in the central parliament and to form the governments in all but about two of the states. On the surface, these figures represent a great victory. Indeed, there can be no question of any other party pushing Congress from power during the next five years. But there is also another side to the medal. Congress started the era of independence in 1947 with all the tremendous prestige of victory in the long struggle. It held the soul of India in the palm of its hand. Today it is riven by faction ; it is accused of corruption ; many have voted for it because nothing else meant anything to them. And, above all, the main rivals to Congress have proved themselves to be the Communists. This does not promise well for India's future.

In spite of the success of Congress, therefore, the incomplete results so far known are worth careful study. It can be asked what effect they may have on the new Indian government and on India's place in the councils of the nations. Of the first 100 seats for the central parliament of 496, Congress won 66. There were 13 Independents and 10 seats attributable to the Communists and their associates. The Kisan Mazdoor Praja, the Kripalani group which broke away from Congress last year, won only 3 seats, and the Socialists 1. There were seven others. By the time 200 seats had been filled, Congress had won 138. The outstanding feature of the elections has been the failure both of the extreme reactionary Hindus and of the Socialists. In spite of the high hopes it held a year ago no one had come to expect much of the Kripalani group, but the Socialists have done even worse than might have been expected. This removes even the slenderest hopes of forming a working coalition of moderate parties to provide a constitutional opposition in parliament. If democracy is to work in India, it will have to be adapted for the moment to a one-party system.

Most of the elections have so far taken place in southern India. In Travancore-Cochin, the most southerly state of all, Congress secured only 44 out of 108 seats, compared with about 37 controlled by the Communists ; these results are particularly bad because this state has the highest literacy rate in India. An anti-Congress government, dominated by the Communists, seems possible. This would be an alarming development and might place a severe strain on the working of the federal constitution. In neither Madras nor Hyderabad has Congress won a majority, although it should be able to form coalitions. In Bombay Madhya Pradesh, Madhya Bharat, Saurashtra, Mysore, Ajmer and Delhi, Congress has won an absolute victory. In general, Communist success has been patchy, and though in many places it has been quite definite, it is unlikely to be widely spread across the country. India is not yet going Communist. Hyderabad has been a special hotbed of Communist

revolt for several years and Travancore-Cochin was known to be infected. Bengal is the only other area likely to contain so much Communist strength.

These great elections have been a triumph for the democratic principle. A genuine choice has been placed before many millions more voters than on any previous occasion in all history. Not least of the achievements has been the way in which an electorate with an average literacy of only fifteen per cent has been taught to identify the party of its choice by means of symbols. The Communists chose to lay their full emphasis on a primarily agrarian policy, according to the strict pattern laid down for Asia by Chinese experience, and they significantly made their sign a sickle and three ears of grain—without the hammer. In spite of misgivings in some quarters, the whole remarkable procedure of the election is by all accounts passing off quietly and efficiently, with dignity, integrity and decorum. It is, in fact, India's most prominent contribution so far to the peaceful political evolution of Asia.



If the final results of the elections are along the lines now expected, Mr Nehru's position will remain strong but uneasy. There can be no doubt that many people voted for him personally rather than for Congress as a party. Before the elections he covered over twenty thousand miles on a four months' electoral tour, during which he was seen and heard by millions. On the other hand, the moderate left has faded away and he cannot look to any form of coalition between the left wing of Congress and the Socialists. He will have to rely increasingly for support on the centre and right of Congress, where he is never very much at home and many of whose members accept him only because he is the unchallenged national leader. The growth of Communist strength is also likely to intensify the contrast between the strongly anti-Communist policy adopted by the government at home and the third force aspirations of Mr Nehru's personal foreign policy. In the eyes of some of his fellow ministers India is not and never has been neutral. They feel that, in the last resort, it is on the side of the free democracies because it is itself a free democracy, as the present elections proudly prove. Even at the United Nations, as some Indians point out, on the last 61 occasions that votes have been taken India has voted twice with Russia compared with 48 times with Britain, and has abstained 11 times. Where Mr Nehru is at one with his followers is in not wanting to commit himself beforehand; but it is this feature of his policy that may now be most affected by the twist of fortune in favour of the Communists at home. It seems almost certain to edge him just a little further into the ranks of overt supporters of the anti-Communist world.

The attitudes towards Mr Nehru of the Indian Communists and of the tacticians in the Kremlin swing with the winds of political expediency. At present, the leaders of the Indian Communist Party are treating him as something of a useful pet. They claim that he is no obstacle to the advance of Communism, because he leans back on the conservative landlords and oppressive capitalists while he fails, at the same time, to make the country prosperous. The Communists have also won some success by concentrating their fire not on Mr Nehru but on the British and American business interests which the Delhi government increasingly favours. This enables them to allege that, if they won power, they would expropriate only the foreigner and not the Indian capitalist, a line which fits in with their current phase of popular front tactics, constitutional behaviour and sweet reasonableness.

Although the Communists in India recognise that they have a long way to go, it is another question whether the Russians accept this view. They have lately made marked efforts to increase their influence and to improve their relations with India. Over Kashmir Moscow has come down heavily on India's side. There has lately been a new Soviet offer to supply industrial equipment, for payment either in rupees or in another soft currency, and Moscow has made a truly impressive effort with its large and prominent pavilion at the International Industries Fair in Bombay. In Delhi, the Soviet ambassador, Mr Novikov, has been speaking particularly honeyed words about the degree of civil liberty in the Soviet Union and the scope for development of economic relations between the two countries. Mr Nehru is reported to have received a renewed invitation to make an extended tour of the Soviet Union.

In reality the scope for Indian trade with the Russians is very limited; during the past three years less than 1 per cent of India's foreign trade has been in this direction. Moreover, it cannot be lost on either Delhi or Moscow that India stands to gain far more from acceptance of the American aid which is now offered. This aid is partly the outcome of improved relations with Washington, particularly since the arrival in Delhi of the new American ambassador, Mr Chester Bowles. Last month he signed with Mr Nehru an agreement setting up a technical co-operation fund, under which India will receive $54 million in the next few months. Last year's supply of American grain was on a loan basis; so, apart from $1.4 million given through Point Four and $7.5 million by means of specially low prices for the grain, this is the first direct grant of American economic aid. There are grounds for thinking that it will not be the last.

These factors, taken with the present elections, emphasise the links which in reality join India with the western nations rather than the Communist bloc. The only other countries in the world with populations on the Indian scale are the Soviet Union and China. It is inconceivable that in either of them a general election could have taken place in the Indian fashion, with 176 million people voting freely for 25,000 candidates —over half of them independents—to fill 4,412 seats in the central and local legislatures. The Indians have long shown a genuine flair for the parliamentary system of government. They have modelled their procedure in parliament on that of Westminster. By holding these elections in a spirit of tolerance and genuine freedom of individual choice, they have shown that adult suffrage, in Asia as in Europe, encourages the sense of self-respect and the consciousness of civic rights and duties which are the foundations of political liberty. The crucial task now is to prove that this democratic system can produce the result that India most needs—an improvement in the standard of living. This was the biggest issue behind the election.

NOTES OF THE WEEK

Mr Churchill on China

Mr Churchill has vindicated with great skill his attitude to Communist China, as revealed in his recent speech to the American Congress. In the House of Commons on Wednesday he deflated a swelling controversy to a degree that must have made some of his political opponents wonder what all the fuss had been about. Speaking of "the whole hypothetical question of what should be done should a truce [in Korea] be made only to be broken," he declared: "No change was made in this situation while we were in the United States. In fact the matters did not figure to any large extent in our discussions." Instead Mr Churchill dwelt on the positive approach to a Korean truce:

> We still hope that an agreement will be reached. We still hope that, being reached, it will be kept. I think we have secured a better chance for the reaching of an agreement by making it plain that the United States and Britain are working together in true comradeship.

This was not only a fine parliamentary performance but a convincing defence of the policy of standing by the Americans and thereby ensuring that they would seek and take advice. The Prime Minister's speech also illuminated two other important aspects of British policy. He made it clear that the Conservative government is no more prepared than its predecessor to accept the deployment of Chinese Nationalist forces in the allied armies; and he left no one in doubt that the Government's first aim in the Far East must be to reduce and not extend the Korean war, let alone embark on a prolonged entanglement in China itself. "My own thoughts are never long absent from the European front" was the keynote of his message, and he threw into vivid relief the scale of the Asian danger by stating that 26 divisions—equivalent to 30-35 in Europe—were deployed in the Far East. This is the most telling argument for the view that war in China would be "the wrong war, in the wrong place, at the wrong time." If the Chinese make it inevitable Britain will stand at America's side, "prompt, resolute and effective." To give that warning in general terms can help to deter the Chinese; to explain it in detail would be to give them valuable military information.

* * *

Containing the Communists

Mr Churchill was less specific about how the war in Korea is to be prevented from spreading. The main risk is not that the Chinese will make a truce and break it, but that they will fail to come to a truce at all. They seem to be counting on undermining their opponent's morale by exasperating delays, a calculation in which they are greatly assisted by some critics of the Americans in this country. But the effect on American public opinion is that it demands increasingly that the war must be brought to an end as soon as possible, and that, if the Chinese go on procrastinating, American air power should be used to strike at Chinese industries and communications. This is a state of mind which the British must handle with skill and patience, if only because Commonwealth casualties in Korea amount to only about one-fortieth of American losses.

Mr Churchill did not say precisely what the Government's attitude would be to proposals to bomb China or blockade the Chinese coast. On the contrary, he emphasised the general principle that his journey to the United States was intended to re-create something intangible but of immense importance in Anglo-American relations—mutual trust. There is no part of the world where it would be better at present to keep commitments fluid than in the Far East. To be specific in the face of so many uncertainties is extremely difficult—and also unnecessary, if confidence exists between London and Washington.

Over the next few months the most important task is to work out a uniform policy for setting limits to the Chinese aspirations which are examined in an article on page 289. About these aspirations and about Communist hopes of capturing Asia there can now be no reasonable doubt; and those who say "peace with China at any price" are simply shutting their eyes to the perils of Burma, Malaya and Indo-China.

* * *

Double Talk on the Truce

The armistice negotiations in Korea are now at deadlock on two issues, both fundamental and both widely misunderstood—the construction of airfields during a truce and the exchange of prisoners. On the first the UN case is that the military strength of both sides should remain as it is for the duration of the armistice, and that this means a ban not only on reinforcements of personnel or armaments, but also on the rebuilding of airfields destroyed by bombing or the construction of new ones. So far Allied air power has interfered very effectively with airfield development in North Korea; but, if the Communists were left free to improve their position under cover of a truce, it would bring a great change in the relative military positions. All proposals for restrictions on airfield construction have been rejected by the Communists on the ground that they would mean "interference in the domestic affairs of an independent, sovereign state"—i.e., North Korea. Such an argument from such a source is pure effrontery.

The question of prisoner exchange is more complicated. Two facts stand in the way of a straightforward agreement for a general exchange. The first is that while the Allies hold many more prisoners of war than the Communists, the latter hold a large number of South Korean civilians who were deported from South Korea during the original invasion; the second is that many nominally North Korean prisoners in Allied hands are in fact South Koreans who were forced into the North Korean army. Moreover a number of North Koreans and Chinese among the prisoners are anti-

Communists and do not want to be repatriated. The UN delegates therefore propose that exchange of prisoners of war should be on a one-for-one basis, with the balance to be exchanged against civilians—which would ensure the return of civilian deportees now in North Korea—and, further, that all repatriation should be voluntary. The Communists object to these proposals on the grounds that to exchange soldiers for civilians is to treat them as "hostages" and that to leave the soldier to decide whether he should be repatriated or not is to deprive him of his "inalienable right" to be repatriated under the Geneva Convention—an instrument that the Communists have persistently disregarded. Those who criticise the UN negotiators should reflect on the morality and logic of these two specimens of Communist argument.

* * *

Labour and Mr Butler

The Chancellor of the Exchequer on Tuesday put his case for more import cuts, the restriction of investment and economies in government expenditure with moderation and great care. If he did not offend his own party, he certainly did not inspire it to feel that the British economy was being desperately pulled from the terrible quicksands that threaten it. He said enough, however, to bring the divided attitudes within the Opposition into full play. As had seemed only too probable, he failed to secure the support of any part of the Labour party for his proposals. But the division within the House of Commons is less important than the division of the Opposition along the demarcation line drawn by Mr Bevan, Mr Wilson and Mr Freeman when they left the Labour Government. It would be imprudent to underestimate the resentment felt by both groups within the Labour party at economies which will certainly wound many of their supporters in the country. Yet the temper of the House while Mr Butler was making his statement on Tuesday and during the first day of the debate on Wednesday was notably calm. Mr Gaitskell, of course, is not given to passion and had to tread with great care. Mr Wilson, who had a clearer field before him, is not much of a firebrand. Both these speakers from the Labour side recognised the existence of a crisis, and Mr Wilson even went so far as to say that rearmament had intensified the crisis but not caused it.

It seems that Mr Bevan had previously told the Parliamentary Labour party that rearmament was the sole cause of present difficulties. His attitude now appears to be gaining ground within the party. Some advance was to be expected when the party moved into Opposition. What is now being released upon the Conservatives is merely the distaste which so many Labour members felt for the health service charges when Mr Gaitskell imposed them, but which had to be restrained for fear of wrecking the Government. Mr Bevan, the pioneer critic, with his confidence and zeal, tends to attract the support of all those Labour members whose consciences are still uneasy. This load of conscience compelled the Parliamentary party to decide that it must table an official amendment of "no confidence" to the Government's motion of support for Mr Butler's statement. The wording of the amendment has for the time being cloaked the differences in the Labour party. But the amendment itself offended some back-benchers by its mildness, and in any case Mr Bevan has not yet finished his campaign to save alive the Socialist soul of his party. The economic crisis is plainly going to accelerate the process of Labour policy-making.

* * *

Another Lord

In principle it is wrong to have a soldier as Minister of Defence. He is a co-ordinator. His task, even in war, is political rather than administrative. It is, on the one hand, to see that the higher problems of defence policy or war strategy are settled in the light of the general needs of government; on the other hand, it is to make the needs of defence policy plain to his colleagues in the cabinet and, in general terms, to the country at large.

This is work for which political, not military, experience is the essential qualification. Even a soldier as brilliant as Lord Alexander, and as experienced in high command, is not normally the best Minister of Defence. But there are special circumstances that make Mr Churchill's choice of Lord Alexander welcome. In the first place, he has discharged with great distinction the tasks of Governor-General of Canada, which put him closely in touch with the whole range of political affairs. Secondly, though the Prime Minister is wisely giving up the additional daily burden of the Ministry of Defence, he will certainly retain his special interest in the main issues of defence policy. Lord Alexander will work with constant political advice, and he can probably play this difficult part more skilfully than any of the politicians who might have been spared from other offices.

But to this welcome there must be an important qualification. Mr Churchill now has seven peers among his sixteen Cabinet colleagues. That is too many. It weakens dangerously the Government's ability to expound its main policies in the House of Commons through men who have played a full part in making those policies. It spreads too thinly the political experience and habits of thought that, whatever their weaknesses, are indispensable to government and can only be gained by serving an apprenticeship, and becoming known to the public, in the House of Commons. A Prime Minister should not for this reason deprive himself of the services of men of Lord Alexander's particular abilities. But he certainly should not remain dependent on so large a proportion of such men for the highest offices within the cabinet.

* * *

European Partners Fall Out

There is a certain artificiality about the crisis into which negotiations on the European Defence Community have been thrown by two events: Germany's request to enter the North Atlantic Treaty Organisation and France's appointment of an ambassador in Saarbrücken. Words like "bombshell" and "perfidy" are being flung across the Rhine. Official spokesmen in Bonn have indicated that, unless France gives satisfaction over the Saar, Germany will think again about the European army. In this heated atmosphere it has been overlooked that the French have known, for a long time past, that Germany would want to enter Nato in order to secure equality with the other members of the European army; and that some way of associating Germany directly by treaty with Nato or its individual members would sooner or later have to be arranged. In any event, Professor Hallstein has not insisted that Germany should immediately be accepted into Nato, and has proposed a number of temporary alternatives. In the end he did no more than reserve Germany's right to claim membership in Nato later. It is doubtless very difficult for the French to explain to their Assembly that, contrary to earlier assurances, German rearmament must bring with it German adherence to the Atlantic Pact. But if Germany is to join a European army at all it is inevitable—indeed, desirable—that this should be so. By joining the wider group the Germans would be accepting new obligations, not merely acquiring new rights.

It has been argued that the various issues arising out of the effort to place Germany in the European community should be kept separate from one another, so as to exclude complicated and bitter bargaining. But it is dishonest to pretend that the matter of the Saar has nothing to do with the European Defence Community, or with the Schuman pool for heavy industry, or with the treaties with Germany that are to take the place of the occupation statute. All are

different facets of an attempt to ensure that Germany's revived power shall be restrained by a freely accepted and equal association with its neighbours. If the French and Germans believe sincerely in a West European federation, they must see that rivalry over the Saar can be removed only if first steps towards union lead to others. The French still cling to the territory's coal and steel as solid rocks in a landslide. They endanger Dr Adenauer's work for federation by providing his opponents with what looks like plain evidence of their intention that the Saar shall become a satellite state of France. M. Grandval is a distinguished administrator, but his work in the Saar is associated with an era of Franco-German enmity. Having put their money on Dr Adenauer, the French would be wise to do nothing further to prevent him winning the race against his opponents. They will otherwise foster growing suspicions in Germany that the French would secretly like to see the whole structure of a European Defence Community break down before the nails are driven in.

* * *

Defence of the Defence Community

It must be recognised that the French have made great concessions to the views of their partners in the latest arrangements for the European Defence Community. The original Pleven plan has been transformed, in particular by the agreement that the council of the community will consist of six foreign ministers, still representing national governments and taking the most important decisions by unanimous vote. These opportunities for use of the veto will, however, be rare. The normal method of taking decisions—for example, on the use of the funds in the common budget and on the programme of arms production—will be by majority vote. This is, of course, the very stuff of federalism. But the fact remains that the defence community will be a loosely knit structure in its early stages—looser than some Frenchmen consider to be safe. This, say the British, is a practical solution on Commonwealth lines ; and this, say the Americans, is a more tentative step towards ultimate federation than they hoped for.

Both are right, but this modified plan is all that was in fact possible. The aim of American and British policy should now be to ensure that the infant community survives the period of pre-federation, that it is helped and protected—perhaps sometimes remonstrated with. Mr Eden's advisers are believed to be giving this problem more attention than they ever gave to it under Mr Morrison, partly because some members of the British Cabinet have uneasy consciences about feeling on the Continent that Mr Churchill has let Europe down.

To find a solution will not be easy but no effort should be spared to formulate one in which the United States can take part. First it is necessary to define the relationship between Nato and the defence community, when it is formed. How can their mutual obligations be defined with the six members of the community acting as six members of the Council of Nato? Will the community eventually speak with one voice in a supreme Atlantic triad consisting of Britain, Europe and the United States ? If that is the intention the Europeans will have to form federal habits rather faster than their present plans allow. And how, in case of deadlock or crucial disagreement, will the defence community be held together ? If one member should defy its Council of Ministers, its Assembly and its Court and threaten a breach of the defence treaty, how is its authority to be enforced? Clearly this is a possibility that neither American nor British policy can ignore. To raise it now is to incur the charge of bad taste or scepticism ; but it is one which is inherent in the process of federation, as the Americans found a century ago. And to find a solution to it now might be easier than, say, three years hence, when the community is to control 1,600,000 men in 43 divisions.

Still No Five Year Plan

In accordance with custom the Russians have now officially announced the results of the annual economic plan for the past year. Yet, while the summary report of the central statistical office released on Tuesday in Moscow mentions time and again the "overfulfilment of targets" for 1951, the planned objectives both for that year and for the current five-year period of which it is part remain unrevealed. In view of the tense international situation the Russians may well continue to draw a veil over their plans of economic development. Yet their talk in terms of percentages seems to show that both annual and probably long-term plans for internal consumption exist.

The summary report repeats, on the whole, the claims made by M. Beria in the review of the year he made last November. It is again claimed that during 1951 Soviet national income rose by 12 per cent and industrial output by 15 per cent, thus reaching a level double that of 1940. Production in the basic industries of fuel and power has apparently increased by 8 to 15 per cent, which again squares with Beria's figures of an additional output of 2.7 million tons of pig iron, 4 million tons of crude and 3 million tons of rolled steel. The total labour force grew from 39,200,000 in 1950 to 40,800,000, an increase of 1.6 million compared with 2 million during the previous year. With the emphasis on industrial development, urban housing has apparently been speeded up and 27 million square metres of floor space were built during the year. Rural housing, on the other hand, with 400,000 dwellings built during the year, lags behind the average of the last Plan.

The most striking disclosure is about agriculture. The speculation made earlier in these columns, that the 1951 harvest might have failed to reach the expected level because of regional drought, is now confirmed by the euphemistic statement that "despite the bad weather in certain regions . . . the grain crop exceeded 120 million tons." This is, in fact, about 4½ million tons less than last year's official yield and 5 million tons less than last year's target. It seems also that the modest three-year plan for livestock development, which was to be completed by the end of 1951, has not been crowned with success. No mention is made of the plan and there is only a vague statement that total numbers of livestock increased during the year by 14 million.

* * *

Money No Object

Mr Butler, in his broadcast on Tuesday, compared the nation to a man who cannot afford to improve his house while in debt. The analogy must have embarrassed Mr Macmillan, who this week sent a personal message to local councils urging them to use all means to build more houses, and promising them the necessary assistance. In an interview, the Minister of Housing went further. Housing should be treated as "a military operation," and plans should be laid for an expanding programme which would produce 300,000 houses a year—"at the end of, say, three years." Moreover,

> Money is not the difficulty ; the Government has decided that all the money needed shall be forthcoming.

It is a long time since Dr Dalton used to say this sort of thing. He had at least the excuse that he was expressing a consistent government policy, even a national mood. It is a far stranger policy that allows one Minister to talk so glibly about finance in the same week as the Chancellor has launched a further instalment of cuts and economies.

Mr Butler stated clearly enough the relation between internal and external finance, between expenditure at home and the overseas deficit, that Dr Dalton sought to deny. But he appears to believe that, while dismissing white-collared civil servants and economising on the health service will help to free resources for exports, it does no harm

to employ more workers to build new houses because houses do not require steel. The argument is plain nonsense, as ministers surely know perfectly well. But the promise of 300,000 houses is a millstone round their necks, and they feel politically bound to try to swim with it. That is to say, other capital investment must be restricted all the more severely in order to make room for the houses.

Mr Macmillan's blank cheque to the local authorities suggests that the Government has finally decided to raise the Exchequer subsidy on new housing in order fully to offset the increased interest rate for local authority borrowing. How, then, are councils to be encouraged to build the smaller and cheaper houses that the Government approves? The general purpose of raising interest rates is to weed out the less economic forms of investment—such as unnecessarily large houses in the Bevan fashion. Why should the tenants of new council houses, who already receive a not ungenerous subsidy, be exempt from the national policy of credit restriction? Housing remains a pressing social problem and should not have its practical problems set aside, in the pursuit of an impossibly high ideal, as happened under Labour. But the first implication is that the fullest possible use should be made of the existing stock of dwellings. It is only then that the national need for new houses can be put into its proper perspective—in relation to the economy as a whole.

* * *

Vacancies to Order

The Minister of Labour is an optimist if he thinks that the Notification of Vacancies Order, which he laid before Parliament this week, will be more effective than the Control of Engagements Order which was introduced in the crisis of 1947. It is difficult to say whether the previous control did any good at all. It may have had some useful marginal influence; but—although it was combined with some little-used powers to direct workers to specified jobs—it certainly did not bring about the large shift of manpower to essential industries that the Labour Government at first set out to achieve.

There is nothing in the new Notification of Vacancies Order to suggest that it will be any more effective than its predecessor. This time the obligation to use the employment exchanges rests on the employer alone, not on the worker as well; but since it will be impossible to get lawful employment except through a labour exchange, the practical effect for the worker is the same. This time the Minister has no reserve power of direction. The effectiveness of the Order depends entirely on the employment exchanges' ability to choose which of the vacancies notified to them shall be offered to men seeking work. To this end, eighty inspectors are to tour the nation's factories, on the improbable theory that a brief inspection will enable them accurately to judge whether the demand for extra labour, or even for normal replacements, is justified or not.

It is difficult to believe that on this flimsy basis the employment exchanges will ruthlessly refuse to offer men jobs in non-essential factories near their homes, and in their familiar trades, in favour of essential work elsewhere. And the Order will, therefore, alter the distribution at a perceptible rate only if the non-essential industries are in any case dismissing many of their workers. This makes it inexcusable that the Government, against all the principles it professed so eloquently while in opposition, should have chosen to introduce the Order under the defence regulations. Even if the scheme could have had its effect more quickly—even if the economy were being so disinflated that workers from inessential industries were coming on to the labour market in large numbers—it would have been worth waiting a few weeks longer in order to submit legislation to Parliament. As it is, the Government may find that it has taken arbitrary and elaborate control of a labour market that has almost no one useful in it.

More Health Service Charges

Most of the new charges to be made in the health service will need legislation, and ministers will have an opportunity to explain more fully than Mr Butler was able to on Tuesday exactly how they will be collected and what exemptions will be allowed. It is useless to pretend that the charges will not cause any hardship. They are bound to, especially the shilling charge on prescriptions. But it is also useless to pretend that there has not been abuse of the pharmaceutical service. The number of prescriptions dispensed last year totalled between 4 and 5 per head of the population, and the average cost of each was nearly 4s. Any hardship caused by the charge of up to £1 for dental treatment will be more than offset if it restores the priority service for expectant mothers and children, who will be exempt from the charge.

But the chief importance of the new charges lies in their effect on the finances of the health service. Altogether, including the charges for appliances like wigs and surgical belts and boots, they will bring in about £20 million in a full year, of which the charge for prescriptions is estimated to bring in £12 million and that for dental treatment £7,500,000. This is a milder stroke of the axe than Mr Gaitskell administered last year. The charges for spectacles and false teeth were estimated to bring in £25 million in a full year.

Like his predecessor, Mr Butler intends to maintain the financial limit of £400 million on the cost of the health service to the taxpayer. What is not clear from his statement, and presumably will not be made clear until the new estimates are published, is whether all of the £20 million saving will be used up in offsetting the effects of higher prices on the cost of the hospital service or whether some margin will be available to meet, if necessary, the general practitioners' claim for a higher capitation fee. Arbitration proceedings on this claim have barely begun. If they go in favour of the doctors, Mr Butler may find himself faced with the need to find another large sum. In any case, as long as prices continue to rise, the £400 million limit cannot be maintained indefinitely without either curtailing the health service facilities—which in practice would mean curtailing the hospital service—or imposing more charges on the users.

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The Future of Eastern Europe

Last week a conference was held in London, under the auspices of the European Movement, to discuss the problems of the European peoples now under Soviet domination. It was the first time that exiled leaders from these satellite countries had met their western friends in the movement in formal public conference. Their meeting was designed as a gesture of solidarity between the two halves of Europe, and it is impossible not to sympathise deeply with their aims—all the more so because the delegates evidently took pains not to raise any false hopes of early liberation. They hammered out resolutions on economic, agricultural, social and cultural policy which form blueprints of the sort of democratic regime they would like to see set up in Eastern Europe whenever it is liberated from its present bondage. These resolutions and the debates that led up to them are now being broadcast to the 100 million Europeans behind the iron curtain, in the belief that the knowledge that some alternative to their present plight is being considered—if only in theory—will help to keep alive a spirit of resistance and independence.

Unfortunately, however, the conference did not stop here. In its political resolution it was guilty of phrases which convey a false impression. History has shown that it is perfectly possible for Europe to exist for long periods "half slave half free." The fact has to be faced that the govern-

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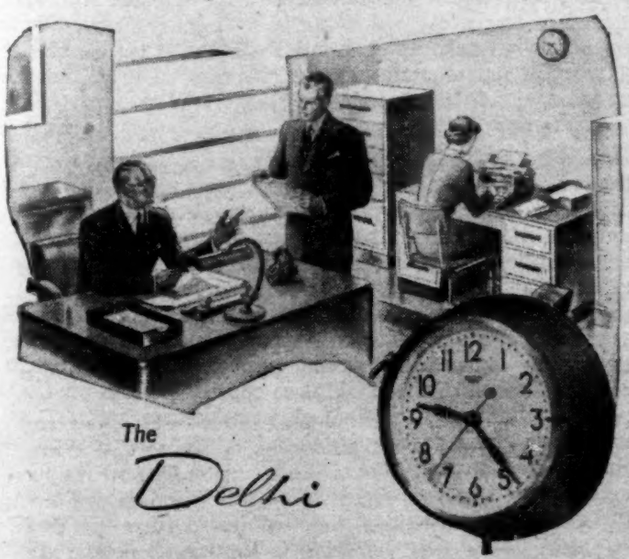

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ments and peoples of western Europe are not now willing—nor are they likely to become willing—to go to war in order to liberate eastern Europe. Nor is it likely that the majority of east Europeans themselves would welcome a war of liberation over their lands. It is doubful whether "real peace" with the Soviet Union can be secured in the predictable future on any terms acceptable to the west; but it is dishonest to suggest that the west would make the liberation of all eastern Europe a condition of "peaceful coexistence" with the Soviet Union. Until the Communist regimes begin to collapse through their own internal contradictions and under the attraction of western strength and prosperity, the only way to liberate eastern Europe will be by war. These are brutal and unpalatable facts, but it can do no good to ignore them. The most that the east European can immediately hope for is that his spiritual and cultural links with the free world should be maintained, and that he should understand how its power to discredit and defy Communist policy is growing.

* * *

Mission to Asia

The Marquis of Reading has gone to represent Britain at the meeting of the Economic Commission for Asia and the Far East which opened in Rangoon on Tuesday. The number of people who know that the United Nations has three regional subsidiaries—one for Asia, one for Latin America as well as one for Europe—would probably not fill the Palais de Chaillot. The Economic Commission for Europe is comparatively famous, largely because it was the place where eastern and western Europe continued to meet after the advent of OEEC and Marshall Aid. Perhaps the departure of the Under Secretary of State for Foreign Affairs will draw British attention to ECAFE, the only official forum where Asia and Europe can meet together.

The obscurity that has surrounded the commission does not mean that it has done no good, or that British representation has been consistently bad. But potentially, this could be a body of real importance. Europe, after all, has its eastern and western camps, clearly defined and organised within themselves. But Asia, with as many common economic problems as Europe, has nothing but ECAFE, apart from the association of some Asian countries in the British Commonwealth. It includes, as members or associate members, all the independent countries of South East Asia, including the Asian members of the British Commonwealth; the European powers with interests in the area—Britain, France and Holland; the United States and the USSR; and now, as the latest candidate for associate membership, independent Japan (subject to confirmation by the Economic and Social Council). The area is of crucial importance in the cold war. The economic relations within the area, particularly with a new and expanding Japan, and those of the area as a whole with the industrial powers of the west are of the highest importance. The commission has the ingredients, given the necessary stir, to provide substantial aid to the economic and political conditions in that part of the world. The Russians are there; but it matters comparatively little if they are bent on obstruction. There is no veto, though the more important decisions have to be endorsed by the parent body; and if Asia can see the Russians obstructing at the points where Asia suffers, so much the better. The decision to send a British Minister to this meeting is admirable. It is a small step in the right direction and should encourage the commission to work hard and seriously.

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Peace, "Peace" and the Home Office

The development of Communist "newspeak" and of the campaigns of Communist sponsored "peace committees" as a weapon of Soviet disruptive strategy has set a most complex and difficult problem to the officials who have to enforce the regulations of the Home Office on the admission of undesirable aliens. Few of these officials are experts in the intricacies of international politics or the finer points of Marxist-Leninist dialectics; but they must strive as best they can by the light of reason and the book of the rules to prevent the entry of persons who are up to no good. Unfortunately foreign personalities of high eminence and the utmost respectability are now liable to suffer from the perplexities of British officials who find that the sorting of sheep from goats is beyond their powers. Since the Home Office excluded from our shores a number of the more mischievous delegates to the projected Peace Congress in Sheffield, immigration officials have become aware that the word "peace" can have sinister implications. But, in the absence of any clear guidance on how to distinguish between different kinds of peace, they can only sniff for it like a Customs official who suspects the smuggling of cocaine.

In the United States, long before the Stalinists started their *ruse de guerre,* there were endowments for the study and promotion of methods of attaining peace among nations. Recently a distinguished American visitor, who happens to be president of one of these peace foundations, was subjected to considerable annoyance on landing in England because he was a suspected agent of the Kremlin. In a period of "cold war," and after so many shocks over Hisses, Fuchses and so forth, it is no doubt inevitable that innocent persons should occasionally be mistaken for subversive elements; but it will be only a victory for the Communists if they have succeeded in creating so much confusion that it has become normally impossible to distinguish friend from foe. The Home Office would do well to explain clearly to all its officials (with lists of organisations under each head) the difference between peace and "peace."

* * *

Ethics of Fixed Prices

An early Budget means that Parliament will have little time for anything else until it is all over. The new monopolies Bill will therefore be delayed by a few weeks. If this is in most respects a pity, it will at least give the government more time to make up its mind about the kindred question of whether manufacturers should be allowed to dictate the prices at which their goods are sold to the public.

It is a difficult question, and one on which opinion is divided on both sides of the House. The late government decided to forbid all resale price maintenance, whether by individual firms or by manufacturers acting collectively, except in those industries that could make out a special case for exemption. A Bill to this end was drafted, but if it had reached Parliament it would not have found favour with trade unionists in the Labour party, who have a traditional fear of the effect of price cutting on wages. In its recommendations about distribution, published last week, the General Council of the TUC does some tight-rope walking. It sees no harm if an individual manufacturer enforces the resale price of his product by threatening to cut off supplies to a retailer who sells more cheaply. It is only the practice of coercing the retailer by collective action that the TUC finds objectionable, because it restricts entry into manufacture and trade, hinders the development of new methods of production, and because, by Star Chamber methods against which there is no legal redress, a retailer may suddenly find his shelves empty and his livelihood gone.

This is surely a superficial distinction. Collective resale price maintenance has a more obvious impact, especially on the retailer, but essentially the arguments against collective and individual price maintenance are the same. Both force the consumer to pay more than he should. A ban on resale price maintenance would put some retailers out of business,

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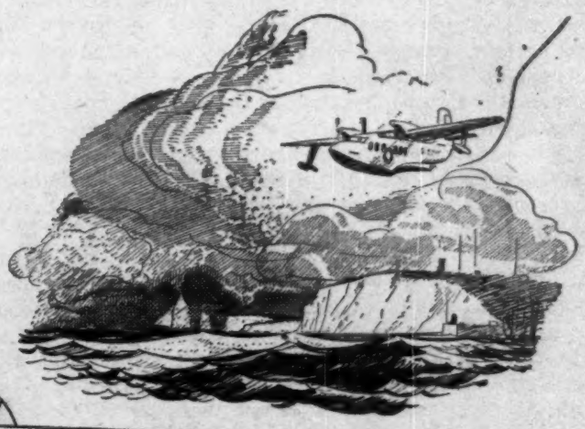

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and the TUC thinks that the harm done to them and to their workers would outweigh the possible benefits. This is inconsistent with the rest of the statement, which says that the distributive trades are too large. There would certainly have to be some exemptions to a general prohibition of resale price maintenance, and this aspect of the question needs more study. But the need of the time is that workers should move to armaments and export industries, and this, combined with lower prices, is a large benefit to set against the hardship of those small shopkeepers who would find it difficult to get other work.

* * *

Libel Amendment

The gesture made by the Government in giving facilities to Mr Harold Lever's Bill to amend the law of defamation is a fair return for the assistance given by the late Government to a Conservative member's Bill to dispose of the common informer. Both measures come under the heading of non-partisan attempts to remedy defects in the law that have long been known to exist.

Mr Lever's Bill is based on the report of the Porter Committee on defamation. It might be described as a Bill to give the press better protection against the unscrupulous. It makes two main proposals. First, it provides the newspaper with a defence against the inadvertent libel. If a correction and apology are not accepted, the newspaper can defeat a claim for damages if it proves that there was no intent to defame the plaintiff or negligence. The Bill's second proposal is to extend the range of public documents and meetings to which the plea of qualified privilege applies. That is, if a newspaper prints a fair and accurate report of what is said and done, it cannot be held liable for defamation unless the claimant can show that it had some wrong motive in publishing the report.

There is one clause in the Bill which seems to go too far as it stands. This would allow a defendant in a libel action to give as evidence, in mitigation of damage, any facts relevant to the "character and reputation" of the plaintiff, even though those facts have no bearing on statements in the libel itself. The clause looks innocent enough on the face of it, but what of the case of the man who has lived down a black episode in his past? Is the defendant to be free to drag that out (or to threaten to drag that out, which may be even more effective), in order to ward off an action based on an undoubted libel? But, in general, the Bill is to be welcomed, and the additional safeguards that it requires can easily be added at the committee stage.

* * *

Nigeria's New Government

Nigeria's new House of Representatives met for its inaugural session this week—new in another sense, too, for only 13 of its 136 elected members were in the old Legislative Council. The House is also a young one. Most of its members are under 40, and this youthfulness is reflected in the average age of the twelve elected members of the new Council of Ministers, which is just over 40.

These twelve, who with six *ex-officio* members and the Governor as President make up Nigeria's first Cabinet, appear to have been chosen primarily for their abilities in other fields than politics. They are mostly either well-known rulers like the Oni of Ife, who is the only one over 50 years of age, and the Emir of Katsina, or barristers, educationists and university lecturers. Some of them have been members of the various marketing boards for Nigerian produce—which may lead to difficulties. But it will certainly not be a government of illiterates (seven of the twelve have British university degrees or diplomas) or of extremists.

Unfortunately, this does not mean that the Council of Ministers will be able to work together successfully as a team. An article on page 283 describes the growth of party politics in Nigeria in the last twelve months. But the main feature of the Council of Ministers is that it represents the regions and not either of the two main parties, the National Council for Nigeria and the Cameroons or the Action Group. Because of its success in the eastern region, the National Council sent a solid bloc of 34 of its own supporters to the central House of Representatives, where they have been joined by four of its supporters from the western region. The Action Group, although it has only 27 members in the central House, will in fact be the majority party, because it has been promised the co-operation of the Northern People's Congress, which has 68 members. Thus, the National Council will in effect be the Opposition, although it has four supporters in the Council of Ministers. How these four Ministers will comport themselves when the Government is attacked by their own party will be interesting to watch. So will the tactics of Mr Awolowo, leader of the Action Group, who has chosen not to be elected to the Council of Ministers. Presumably, he felt that his hands would be less tied if he remained outside the Government. If so, his decision may also have unfortunate consequences. If Nigeria's new constitution fails, it is likely to do so because it divorces power from responsibility.

Our National Defences

The subject of our national defences excites such intense interest at the present moment. . . . We have no desire either to tempt foes abroad, or to augment the panic at home. At the same time this panic may not be without its uses. It may help to check, before it is too late, that mania for retrenchment *coûte qu'il coûte*—at all hazards and at any price—against which we have incessantly raised our voice as a shallow and a fatal policy; and at the same time it may arouse the country to a more steady, strict, and ceaseless vigilance over the mode in which the supplies are expended, in place of the fitful outcry and hasty and unreasonable interference with which it now too commonly endeavours to replace the consequences. . . . The important matter is that our army, whatever be its numbers, shall be in a state of the very highest efficiency—that its arms shall be the best and its accoutrements the most judicious that can be devised—that the men shall be as admirably trained and exercised as those of any nation. . . . The prompt and speedy attainment of this state of things is beyond question the first and most pressing duty of Ministers, not only at this moment but at all times. . . . Whatever sum is really needed to render Great Britain secure at home, and formidable to defy her enemies, may be asked for by the Ministers, and will not, we may rely upon it, be grudged or denied by the country. *England will refuse nothing to secure so great an end.* . . . The present anxiety may be groundless. The idea of an invasion may be a chimera. But the mere possibility of the thing is to be precluded. The mere suspicion that England has ground to fear for the inviolability of her own shores—that she is unable to crush an unscrupulous enemy—that she must speak with bated breath when she remonstrates against inhumanity or oppression—that she must submit to insult, because unprepared to avenge it—that she must tamely watch while her allies are crushed, because too weak to aid them—will not be endured.

The Economist

January 31, 1852

Letters to the Editor

The House that Fell Down

Sir,—Your issue for January 19th contained a Note in which you used a recent judgment of the Court of Appeal to illustrate your view that a building society should not instruct a surveyor to value a property in which he is financially interested. Your readers might like to know that this has also long been the view of the council of the Building Societies Association and that it is normal practice for a surveyor to be required to certify that he has no financial interest in the property which he is valuing.

As you quoted some observations of Mr Justice Devlin in the same case, perhaps I might add that his remarks have been studied by the association with the respect due to them and that discussions are now taking place with other bodies, with the object of making arrangements which will carry his suggestion into effect.—Yours faithfully,

F. H. CHAMPION

The Building Societies Association, London, W.1

The Way to Simplify

Sir,—I am in broad agreement with you as to the importance of simplification and specialisation in British industry—the Anglo-American Productivity Council has evidence that leaves no doubt of the value of such measures in particular cases—but I would suggest that great care is needed in deciding that there is any general tendency for British industry to produce an "excessive variety" of end products.

There is a tendency to view such problems in terms of *given* demand and cost conditions, although in fact uncertainty about future demand and cost conditions is in many industries of the essence of the matter. I know, for instance, of a spinning firm which has steadily refused to allocate its quarterly yarn quota at the beginning of each period, because as a matter of policy it wishes to be free to take new customers. For similar reasons it is willing to take short runs. From a short period viewpoint its production costs are high and variety excessive. But the production costs of variety, in the view of the firm, are outweighed by the advantage of a diversity of market outlets. This policy has no doubt cost money of late; I wonder if it will continue to do so in the present condition of the industry?

In most industries production of new and improved products is an important form of competition, and diversity of market outlets desirable in view of uncertainty as to future market trends. It is no consolation to a firm operating in such conditions, when the demand for its product declines after specialisation, that specialisation need not reduce the variety of production of the industry as a whole. In fact, the productivity reports comment on the uneasiness some American producers felt because specialisation had increased their reliance upon demand from a few sources.

The possibilities of economies by simplification, possibly without need for specialisation, in the production of "intermediate" components for a number of manufacturers, are emphasised both by your correspondent and by the productivity reports. Here perhaps the case is clearer; it rests upon the ignorance of producers as to the precise requirements of their individual (manufacturing) consumers. Where such conditions prevail, it must normally be the case that the costs of obtaining the information are prohibitive to the individual firm. This seems to me a field in which co-operative action by trade associations would be of general benefit.—Yours faithfully,

JOHN WISEMAN

University of London

Estate Duty

Sir,—You have emphasised the need for a tough financial policy "working through budgetary retrenchment, taxation and monetary pressure." Budgetary retrenchment should tend to create a budget surplus, even at existing rates of taxation, and additional taxation might make this very large. But, as we have seen, the existence of a large revenue surplus constitutes a temptation to overspend which government departments find it hard to resist.

The present would be a good time, therefore, for the Government to abjure the profligate habit of spending the proceeds of Estate Duty as though they were income. This tax is a levy on capital which is paid out of the proceeds of capital, or with savings accumulated by means of life insurance policies, or in other ways. By abandoning the bad practice of squandering the savings of a lifetime in a year, the Government would be setting the kind of example in financial matters which it expects private people to follow.—Yours faithfully,

London, S.W.1 T. C. OWTRAM

How to Export Coal

Sir,—Your article on "The Case for Dearer Coal" was largely concerned with ways and means of increasing exports, even by a few million tons. One straightforward way seems to call for attention. The average usage of domestic coal in the country is roughly a ton per head of all population allowing for gas and electricity. The 700,000 miners received in 1951 over 5 million tons of coal—more than 7 tons per worker. No doubt they also use some electricity and gas, and allowing for, say, four persons per mine worker, it may be said that 2 million tons of coal at least is supplied in excess of the recognised national standard of the community as a whole.

Incidentally, the amount was 100,000 tons more in 1951 than in 1950 in spite of a much lower proportionate increase in manpower.

If this coal is regarded as corresponding to imports from the United States, it is costing us—in dollars too—probably £10 per ton, say £20 million per annum. It would pay the country well to reimburse every mine worker by say £30 per annum in lieu of this three tons of the coal allowance, and it seems well worth while sounding the Mineworkers Union to ascertain whether the men too would not welcome such a proposal.—Yours faithfully, L. PATRICK

Haywards Heath

Paying for Privileges

Sir,—The recent increases in monthly return fares on the railways and in the price of coal to the consumer raise an interesting point. To transport employees who enjoy free travelling facilities, and coalminers who receive free or cheap coal, these increases (to the general public) constitute a rise in wages. It therefore seems reasonable that such employees should not escape this increase by virtue of their office, but should pay for their privileges by exactly the amount by which these charges have been increased.—Yours faithfully,

E. T. WALKER

Thornton Heath

Lancashire Takes the Strain

Sir,—May I be allowed to comment upon the question of grey cloth imports into Lancashire, which was raised in *The Economist* last week. Substitution of Lancashire cloths for those at present imported from India and Japan would not be a simple matter. Much of the 323 million square yards of foreign cloth imported into the United Kingdom for finishing last year, was of a type which has been little woven in Lancashire mills since 1945. Manufacturers and weavers alike, have been reluctant to handle the extra coarse and "wide" cloths, preferring to concentrate upon the finer goods, which proved more remunerative to both employer and operative alike.

Further, the bulk of the foreign cloth finished in the United Kingdom since the war has been re-exported to markets with low purchasing power. Under the present arrangement the foreign consumer secures the advantage of cheap cloth with a high quality finish, which satisfies his particular requirements. Higher costs in Lancashire mills reduce the possibility of producing these same cloths at prices comparable or competitive with present Indian and Japanese prices; there is no guarantee that the demand from these "low consuming power" markets would be maintained if the higher priced Lancashire goods were substituted for the cheaper foreign cloths.

Some Lancashire manufacturers have recently maintained that with adequate supplies of yarn and the full co-operation of their own workpeople, they could satisfy demands for coarse cloths made by foreign consumers, but at the same time few references have been made to the prices of such cloth. It is indicative of the industry's own lack of confidence in its competitive strength that few

Lancashire manufacturers seem willing to switch their production to coarser cloths, until the industry as a whole has received some kind of assurance from the Government that the imports of foreign cloth for finishing are to be limited.—Yours faithfully, ROLAND SMITH

Manchester

Shopping Guide

Sir,—The article on consumer research in your issue of December 22, 1951 calls for comment. By devoting more space to the danger of "anti-commercialism" than to the advantages of consumer research, it gives a wholly false impression. The organisation that you mention, Consumer's Research, Inc., is probably politically to the right of British conservatism. The other American organisation in the field, Consumer's Union of US Inc., is certainly further to the left; but even this organisation publishes very little that could be attributed to "doctrinaire anti-capitalists, crypto-puritans, intolerant highbrows and intolerant utilitarians."

Part of your argument suffers from bad logic. Of course, the consumer should be free to buy a "shoddily made shirt for a fortnight's holiday." He should be free to do so consciously, and at a lower price than he would pay for a durable shirt, but he should be protected from buying a shoddy shirt by mistake when he needs a good shirt.

You never mention one of the principal arguments for consumer research, an argument that has nothing to do with "showing up mendacious claims" or revealing anything concealed by the manufacturers. The consumer needs guidance to shop intelligently when buying complex modern industrial products. It is a matter of selecting the product that is best suited to one's needs. Even when the considerations involved are simple one discovers surprisingly often that one does not know simple facts. With the more complicated equipment—for example a refrigerator or car—the necessary knowledge is altogether beyond the scope of the layman. To have at hand a practical work of reference, where the relevant considerations are assembled in precisely the form in which they are needed by the prospective buyer, not only makes for a better outlay of one's money, but greatly increases the pleasure of shopping.

A reader of your article would never gather that consumer research is not only a "theoretically excellent proposal" but an idea which has been successfully translated into practice in the United States for over fifteen years by organisations with millions of subscribers.—Yours faithfully, J. HAJNAL

Princeton, USA

Books and Publications

The War in the West

The Struggle for Europe. By Chester Wilmot. *Collins.* 766 pages. 25s.

There can be no doubt that this is an important book. The publicity with which it has been greeted has no doubt served the purpose of selling the book—which is a good thing, as it deserves to be widely read—but it may have prejudged the public appraisal of the book beyond repair. Many people will have gained the impression that it is an anti-American tract of a sensational kind. In fact, it is a solid piece of the historian's art, evidently based on a great deal of painstaking research not only into written records but into the memories of the participants on both sides; it gains enormously from the care with which the German records have been sifted as well as the British and the American, so that the story can be told from both sides at once. Moreover, it is written with detachment and fairness. It is true that there are severe criticisms of the Americans, but Mr Wilmot is careful to quote his evidence and to say what can be said on the other side before he reaches his conclusion. He can certainly be acquitted of prejudice, in the sense of approaching each controversy with his mind made up.

Mr Wilmot makes four major criticisms of American policy, military and diplomatic, in the years 1943-45. These are (i) that the Americans were never prepared to put real strength behind the Mediterranean campaigns or to allow them to diverge from Italy into the Balkans; (ii) that the greed of the US Navy for landing craft for the Pacific crucially delayed the invasion of Normandy; (iii) that the American propensity for attacking all along the line, instead of in one concentrated spearhead, ruined Montgomery's plan for crossing the Rhine and occupying the Ruhr in 1944, which otherwise might well have ended the war before the Russians got west of Warsaw; and (iv) that Roosevelt's unjustified trustfulness towards the Russians and even less justified distrustfulness towards British "colonialism" led him, at Teheran and Yalta, to make a free gift to Stalin of the overlordship of half Europe. Perhaps not one of these four allegations will be accepted by everybody. The first and the fourth, however, are now very widely accepted in America—indeed, it would be difficult at this time of day to hold that Roosevelt judged rightly at his two conferences with Stalin. The second charge Mr Wilmot documents carefully, and it would not be easy to get over his figures. On May 1, 1944, the US Navy possessed 16,582 landing craft of all kinds, but spared only 2,288 for what was agreed to be the major operation of the year. Of the vital LSTs, the US Navy spared only 188 for Normandy, although at much the same time it provided 87 for the assault on Saipan garrisoned by a single Japanese division without hope of reinforcements. There remains the third charge, that the war could have been won in 1944 if, after the break-out from Normandy, the real weight of the Allied forces had been put on the crucial left wing, where Montgomery was in command, rather than spread out among the American commanders further south. This has been much controverted and it would be rash to expect any agreement on it. But Mr Wilmot's arguing of the case is very impressive, not least his calling in evidence of the German generals.

> These generals are agreed that if even fifteen divisions had driven on after the capture of Brussels and Liége, as Montgomery proposed, the Wehrmacht would have been powerless to stop them overrunning the Lower Rhineland and seizing the Ruhr. Indeed Blumentritt [Rundstedt's Chief of Staff] says: "Such a break-through *en masse*, coupled with air domination, would have torn the weak German front to pieces and ended the war in the winter of 1944."

To very many readers it will seem, as it does to the present reviewer, that Mr Wilmot has made out his case on all four issues. It is therefore worth going on to say that, even if the conclusions be accepted, they are matter for regret but certainly not for recrimination. Very many more mistakes were made on the German side than the Allied. If the Americans made mistakes they also did some things supremely well. If Europe is now paying for one of Roosevelt's errors, it should also pay tribute to him (as Mr Wilmot does) for the single-mindedness and courage with which he insisted, even when other stalwarts like General Marshall were wavering, that the war in Europe must come first and the war in the Pacific second. That America, after Pearl Harbour, did not turn its back on Europe to be revenged on the Japanese was one of the miracles of the war; and it was due to Roosevelt above all others.

Anyone who wishes to understand the world of today ought to read Mr Wilmot's book. The prospective reader should, however, be warned that it has a grave structural defect. This is probably due to the unfortunate accident (unfortunate, that is, for the book) that Mr Wilmot, as correspondent for the BBC, was an eye-witness of some of the events he sets out to describe. To be an eye-witness and yet a good historian requires the supreme detachment and self-control of a Thucydides. Where Mr Wilmot is not on the spot, his writing is brilliant; but where he is present (or near at hand), the balance becomes distorted, the descriptions are crowded with names and too detailed to be followed without pencil and paper, and the main thread is lost. It would have been much better to have taken the purely military chapters (that is, about 10 of the 34) out of this book and made them into a separate work. What would then remain could be described as an almost classic example of how a war can be not merely described but explained.

Case History for Steel

Capital Development in Steel. By P. W. S. Andrews and Elizabeth Brunner. *Blackwell.* 374 pages. 30s.

In this book, Mr Philip Andrews and Miss Elizabeth Brunner have attempted a study of a kind all too rare in British economic literature. They started with the intention of putting to practical test accepted economic doctrines about the motives that impel industry to extend its resources and invest in new plant. They have ended in producing a book of wider range, important less for its theoretical conclusions than for its account of the history and development of United Steel Companies, Limited.

There are a few classical examples, mainly American, where economists have succeeded in the formidable task of testing theoretical principles against practical observation. This book is perhaps a little too diffuse to earn the very highest of marks, but it is, for all that, a study of extraordinary interest. Obviously, the authors were most fortunate, in the first place, in choosing the subject of their case history. United Steel Companies have roots that extend to the very beginning of the nineteenth century; the group is one of the biggest integrated concerns in the steel industry, and one with the longest traditions. Its receptive sympathy towards the object of the authors' researches was an essential condition of their success. The result is in no sense a commissioned history of the group, though it would be hard to imagine a better account of its development from the earliest stages of the industrial revolution through the financial pressures of the late twenties and the complications that attended the reconstruction a year or two later until it emerged as a rationally knit group turning out more than one-eighth of the total production of steel ingots in this country.

All these stages are set down in great detail, with proper but not exclusive stress on steelmaking technique and without any resort to the more frightening types of economic analysis. The result is a living picture of United Steel so acceptable in itself that the reader—and perhaps here and there the authors—can be forgiven for an occasional forgetfulness of the book's intended theoretical purpose. The conclusions show that what made United Steel Companies grow was not a behaviouristic response to the rate of interest; there were other factors, more direct, such as its cash resources, and the earnings prospects of new developments, on which, incidentally, a 20 per cent return is set as a standard.

But, in the end, the factors that have made United Steel what it is cover a range of human motives and technical decisions—a desire to ensure raw materials for the group as a whole, a sense of social purpose in keeping Workington alive and making it pay, a courageous decision to extend greatly its steel works at Appleby-Frodingham based on home ore, and the development of special steels. Policy has entered into all these decisions, but overriding them is the determination of those in charge of the group to keep its production machine in efficient operation and to preserve and strengthen its relative importance in its own industry. This book may not have advanced economic theory appreciably. But it does offer a valuable and objective study of the economic growth of the firm in being.

Defining War Crimes

UNO and War Crimes. By Viscount Maugham. *John Murray.* 143 pages. 12s. 6d.

Whether aggressive war was already an international crime in 1945 or whether the charge of a crime against peace in Article 6 (a) of the Nuremberg Charter was retrospective legislation will long be debated. Lord Maugham concedes that the Pact of Paris (1928), despite the absence of any "sanctions" therein, made aggressive war an international crime against the injured state. The pact, he says, removed a shield from the authors of an aggressive war. Nevertheless, he would prefer to exclude aggressive war from Uno's projected code of war crimes. Impressed by the difficulty of defining aggression—a difficulty not yet solved by the International Law Commission—and by differences among historians concerning the origins of past wars, he considers it unwise to make aggressive war part of a general criminal code.

But the law can and must distinguish between the historical causes of international disputes and the decision to solve them unilaterally by violence. The definition of the defences of provocation and self defence presents, no doubt, difficulties in the international law of aggression as it does in the municipal law of homicide. That does not, however, mean that aggression, like murder, is not generally capable of determination. If the Nuremberg precedent is not to become, as Lord Maugham fears, a pretext for liquidating vanquished enemy leaders, the essential point is that the crime should be punishable only in the name of the international community. Some will decline to follow Lord Maugham when he apparently sees in the Nuremberg trial nothing of the outraged international community and only the trial of vanquished by victors. If the community does not in future maintain a substantial solidarity, crimes against peace may well make bad law, but if it does hold together, they will form a natural element in its law of public security and it is so intended in Uno's code.

However, Lord Maugham's chief concern is with the personal guilt of the individual—his *mens rea* as the lawyers say—in the projected code of war crimes. He strongly denies that the Pact of Paris made criminals of anyone but the real authors of aggression. He accordingly attacks the phrase "the planning, initiation or *waging*" of aggressive war in Article 6 (a) of the Charter as being wide enough to make a criminal of every individual participating in the aggression. The word "waging" probably reads *eiusdem generis* with "planning" and "initiation," and meant the higher direction of aggressive operations; but the language was certainly very loose. Next, he criticises Article 7 for having excluded "act of state" as a defence to a war crime. Here, he scarcely seems consistent, for the legal shield which he accepts as having been removed from an aggressor by the Pact of Paris can only be the immunity which attaches to lawful acts of state. Then, he criticises Article 8 which excluded the defence of "superior orders" (another facet of act of state) without regard to the accused's "moral choice" to disobey. Under this article "superior orders" were at most to mitigate the punishment. The conflict between the individual's international and municipal duties is not easy to resolve, but Lord Maugham has the support of the International Law Commission in recommending that absence of a real moral choice should entitle the accused to full acquittal. Lord Maugham's contribution is to have directed attention to the mental element as the basis for responsibility in international crimes. This contribution would, perhaps, have been greater if he had entered rather more into both sides of each argument.

GOM and *Grand Seigneur*

Mr Gladstone's Last Cabinet. By the Fifth Earl of Rosebery. Printed in *History Today.* 2s. 6d. monthly.

This valuable and amusing document is a narrative of events behind the scenes covering the period from January 9, 1894, when Gladstone, aged 84, announced "in a speech of 50 minutes"

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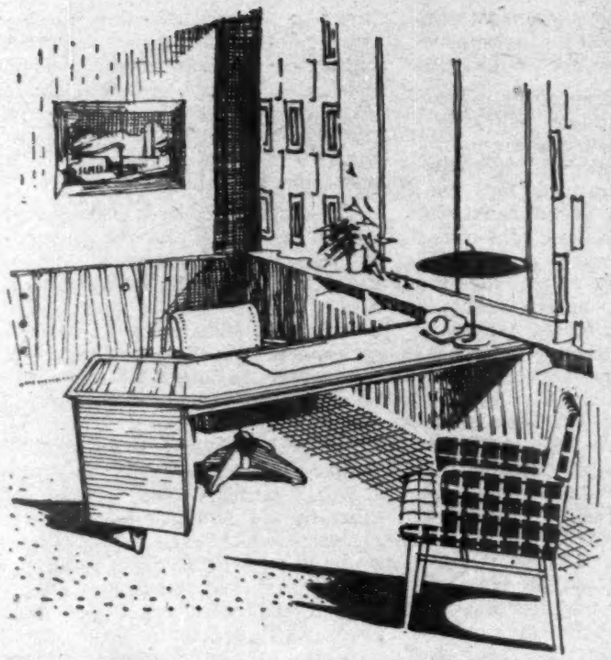

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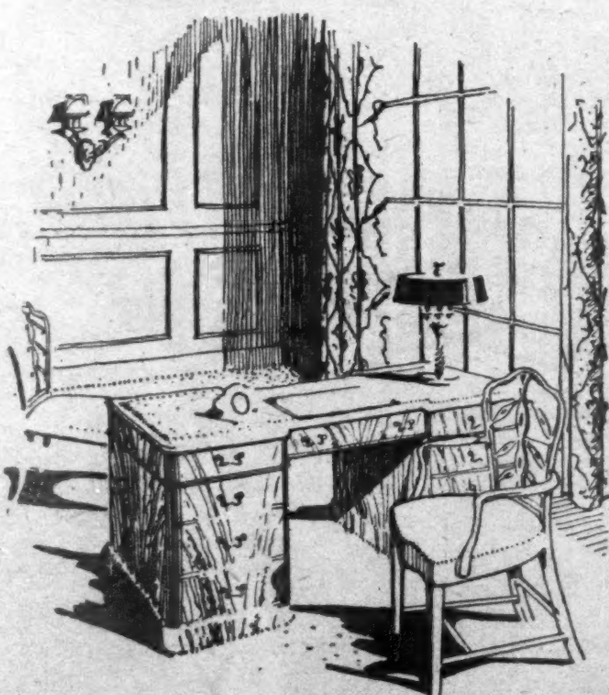

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that he would resign unless the Admiralty estimates were halved, to March 6th, a few days after Roseberry's accession to the premiership. The date of its composition is unstated and perhaps unknown. It was probably used by Lord Crewe in the composition of the "Life of Lord Rosebery," but thereafter disappeared until found by the present Lord Rosebery and published in the December and January issues of *History Today*.

A reviewer generally assumes that he is writing for readers who have not read the work he is reviewing. Many readers of these lines will, however, already have read Lord Rosebery's narrative, and will agree that it is both valuable and amusing. It presents, in fact, a political comedy with five characters. First there is the GOM himself, aged, incalculable and exasperating. Next the heir presumptive, in his own estimation at least, Sir William Harcourt, who would have been on all grounds the man for the premiership if his cantankerous and overbearing manners had not made him intolerable to all his colleagues. Attendant of Sir William, his son Loulou, eagerly canvassing on his father's behalf and not thereby improving his prospects. Fourth, John Morley, vain, irritable, intriguing, pining for the Foreign Office and hoping to extract it from whomever might secure the premiership. And lastly, the *grand seigneur, sans peur et sans reproche*, Lord Rosebery himself, who did not seek greatness but none the less had it thrust upon him. Is it a matter of history or an entertaining coincidence that the only character to emerge without shame from this story is the character who wrote it? That is a point on which every reader must make up his own mind.

Victorian Decline

Imperialism and the Rise of Labour, 1895-1905. By Elie Halévy. Second (Revised) Edition. *Benn.* 442 pages. 21s.

The enduring and stimulating qualities of Elie Halévy's work with its broad perspective and bold judgments remain unimpaired after a quarter of a century. But the author frankly confessed himself least at home with the themes and period of this fifth volume—the first of the epilogue. He found the chief glory of the Victorian Age in the *laisser faire*, pacific and cosmopolitan liberalism of the mid-century. Its decline before the onset of expansionist imperialism and the beginnings of collectivism in the late Victorian years, he interpreted as a movement toward national decadence.

Part of his explanation, which few would dispute, was the growing sense of insecurity and lack of confidence caused by the relative decline in British prosperity and power. Another, perhaps the most illuminating, was his interpretation of collectivism as the product of an unconscious alliance of employer and employed against the "zeal for production" and the "appetite for work." On the other hand, Halévy failed to stress sufficiently the fact that imperialism—the third horn of decadence—was from one aspect the result of a zeal for investment and indirectly, therefore, for production.

Halévy's Gladstonian approach indeed so confused his treatment of British imperialism that he attributed the transformation of the liberal anti-imperialist maiden of the golden age into the territory-grabbing ogre of the century's end to Chamberlain and the Unionists, who exploited "the war-like passions of the democracy." The author in this over-simplification has missed perhaps the most curious paradox of late Victorian imperialism: that the largest territorial acquisition were made between 1880 and 1890 when the old anti-expansionist attitude still prevailed in Parliament, and expansionist jingoism had not yet become popular. Despite their *laisser faire* convictions, the Gladstone Governments no less than the Salisbury Governments had already been forced by foreign expansion and protectionism to extend the protection of the political empire over the advancing frontiers of British trade and speculative investment. Furthermore, both used the power of the state under cover of chartered companies to promote British enterprise overseas.

Thus, Halévy's presentation of Chamberlain and the Unionists as almost the architects of a sudden jingoist revolution in imperial policy is misleading. It is a confusion of perspective which no doubt he would have corrected had he completed his work for the period 1852-1895. At the same time it is refreshing to find that he, unlike some who have attempted to bolster the imperial tradition since his day, did not shrink from reminding us of the seamy, financial aspects of late-Victorian imperialism.

Conference on Ageing

Growing in the Older Years. Edited by Wilma Donahue and Clark Tibbitts. *University of Michigan Press. (London: Geoffrey Cumberlege.)* 204 pages. 20s.

In 1950 the University of Michigan held its third "Annual Conference on Ageing," and the addresses are now, like those of the previous conferences, published with explanations from the editors. Each of the conferences attempted to concentrate on some special aspects of old age. This one dealt with medical health, mental hygiene and education; but inevitably the whole field, as much of it as is known, comes into view, and industry and health services, housing, incomes, the training of voluntary social workers and many other aspects are discussed.

Addresses tend to be haphazard when one speaker does not know what the others will say. There is repetition and a little contradiction, one speaker asserting that "today the person of sixty-five has little chance of living much longer than did the person of sixty-five in the year 1900" and another that "longevity has increased more than 35 per cent in the last half-century." Such contrasts indicate the general lack of knowledge about old age, which one speaker compares with the lack of knowledge about childhood in 1850; and, though speakers freely admit this, there is sometimes, particularly in the second half of the book, an emptiness or commonplaceness of idea masked with grandiose phraseology. On the whole, however, the book is rich in sympathy, sound sense and some interesting facts.

The English reader will note a certain American quality in the survey—the assumption, for example, that the individual failing in strength and on the way to death can be completely soothed by "human adjustment." There is an atmosphere of push and excitement about the conference almost as if the problem of old age had not existed before, and one speaker, advocating "conditioning of old people," demands a vast publicity campaign with "radio, television, films: I would even add the comics." But generally the American speakers discuss problems which exist in any industrial community where the proportion of elderly people is increasing. They consider forced retirement ("one hundred years ago, three-fourths of the older men were employed and worked seventy hours a week"), the pernicious effects of too much leisure, the shaky finances of the old and the disadvantages of individual firms' insurance schemes for workers, which not only tie people to their jobs but make the elderly work-seeker unwelcome. Altogether the speakers say very much what Lord Amulree said in his recent "Adding Life to Years," but detailed medical and psychological sections are added, and there is a broad sweep of idealism and optimism.

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AMERICAN SURVEY

Far Eastern Course

Washington, D.C.

JUST how much trouble has been piled up by Mr Churchill's words in Washington on Far Eastern matters is by no means clear, up to now, on the American side of the Atlantic. Perhaps in the last week or so Washington has tended to attach too much importance to signs of alarm and despondency in London over Mr Churchill's promise to Congress that Britain will join in "prompt, resolute and effective" action against the Chinese Communists if a Korean truce should be made and then broken. Perhaps, after all, feelings in London have not been badly bruised by Mr Churchill's congratulations to Congress on the policy which has made Formosa, if not a source of international inspiration, at least a safe haven for General Chiang Kai-shek and his men. Now that the Prime Minister is home again the effect of these pronouncements, and of his defence of them, will doubtless become clearer, although maybe only gradually. In any case the outcome will be watched very carefully by the State and Defence Departments and the White House.

A certain comfort was felt by the Americans when they discovered, during the talks with Mr Churchill and Mr Eden, that the Conservative Government was much more inclined than the Labour Government had been to consider the possibility of coming to an arrangement, even a temporary one, with the present Persian Government. But the satisfaction over this disclosure was nothing compared with the warm glow induced by the Prime Minister's references to the Far East. There were some, nevertheless, who wondered whether Mr Churchill's speech had gone down as well with Mr Eden as it did with Congress. For Mr Eden had not, it seems, been quite as clear-cut on the British position in the event of a broken truce, or quite as cordial on the subject of American policy toward Formosa.

There was not, however, any mystery about Mr Churchill's reasoning, or any doubt that he had powerful arguments to bring against any at home who might complain that he was going too far. In the first place, the prospect of a satisfactory armistice can be improved at this point only by evidence of unity and firmness on the United Nations side. In the second place, if a truce into which the United Nations forces had entered in good faith were to be broken, such treachery would confront the free world with a new situation; and in these circumstances the highest priority would need to be given to a demonstration of Anglo-American solidarity. If Britain were to hesitate and compromise in such circumstances, refusing support to the far more heavily engaged Americans, the alliance and the United Nations itself would be in serious jeopardy. Not to go along with the Americans would be to invite perils infinitely greater than the risks of prompt, resolute and effective action in concert with the Americans. (The assumption has been that this phrase implies the bombing of strategic targets on the Chinese mainland, including Manchuria, a policy which had hitherto been considered to risk spreading the Korean war.) As for Formosa: does anybody, whether or not he likes General Chiang, believe that it would have been better to allow this important island to fall into Communist hands?

Thus Mr Churchill might argue, and thus he might well be vindicated. Yet there is a case, too, for asking whether in the long run the undoubted improvement in the condition of the Anglo-American alliance that was achieved during Mr Churchill's visit will be worth more than the arduous, anxious policy of maintaining a British hold on the Far Eastern brake. Mr Churchill is said to have expressed the view while in Washington that it was a bad thing to nag the Americans about their course in the Far East. The question may be whether it is automatically a good thing to cheer them on the same course.

*

It is not that anyone need doubt American motives. They are as morally sound and as intelligent as British motives are. What does produce uneasiness is the extent to which the Administration, the Congress and the greater part of the press is willing, in this period of strain and politics, not only to yield to the doctrine that the end justifies the means, but also to think that anyone who challenges the means must be opposed to the end, and must therefore be either a weakling or an enemy.

From time to time, in these days when the State Department has to judge the effect upon the Congress as well as upon the Communists of every word it utters on the Far East, there emerge indications of a quite remarkable faculty for self-deception in high places. There are occasions in Washington when it appears that the official line is not merely to forget, but even to deny, that Japan was a dangerous enemy only a little over five years ago. The current issue of the quarterly review *Foreign Affairs* interestingly illuminates the gap between the American and Australian interpretations of recent history. Mr Menzies, the Prime Minister of Australia, in an article on "The Pacific Settlement Seen from Australia," says:

> The Japanese soldier proved himself an uncivilised enemy and a brutal and inhuman gaoler. Nobody in this generation of Australians will ever forget the instances, all too well attested, of brave soldiers murdered after capture, of nurses tortured and destroyed, of prisoners-of-war starved, enslaved, beaten, driven mad, driven into the grave.

In the preceding article on "Security in the Pacific" Mr John Foster Dulles, the architect of the Japanese peace treaty, writes:

> One disrupting fear is that felt by the peoples whom Japan assaulted that Japan will again be an aggressor. These peoples are not yet aware of the change of mood in Japan nor do they appreciate that the best insurance against a possible renewal of aggression is co-operation between Japan and others along the lines of the United States-Japan Security Treaty.

The Japanese peace and security treaties, and the accom-

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

panying group of treaties with Australia, New Zealand and the Philippines, are almost sure to be ratified by the Senate. Fears that the Japanese might want to establish trading and perhaps other relations with the Communist Chinese mainland have been removed, or at least lulled, by the letter which Mr Yoshida, the Prime Minister of Japan, wrote in December to Mr Dulles. In it Mr Yoshida announced that his government has no intention of concluding a treaty with the Chinese Communists, but does propose to offer the Chinese Nationalists on Formosa a treaty "applicable to all territories which are now, or which may hereafter be, under the control of the National Government of the Republic of China." That was what the Senate wanted to hear, and now it all seems to be in the bag.

But is it? Mr Dulles has denied that any American pressure was put on Mr Yoshida and his government to lead them into a decision so agreeable to American ears. But nevertheless this letter is going to bedevil Japanese-American relations for some time to come. A year ago Mr Yoshida himself wrote in *Foreign Affairs*:

> Red or white, China remains our next-door neighbour. . . . Economic law will, I believe, prevail in the long run over any ideological differences.

And apprehensive Senators at the treaty hearings asked Mr Dulles what would happen if Mr Yoshida's government fell. Mr Dulles admitted that Mr Yoshida's letter would not bind his successors, but Mr Dulles drew attention to the Battle Act, which would withhold American military, economic and financial aid from countries trading with Communist nations. That, he intimated, would keep Mr Yoshida's successors out of error. Moreover, China would not necessarily always be Communist. In the Administration's current lexicon, however, none of this is to be interpreted as putting pressure on a sovereign nation.

The Americans are indubitably going to steer their own course in the Far East, and there may be much to be said for not nagging them while they are thus engaged. Nevertheless, in the circumstances Mr Churchill may find it desirable to make it plain that what he said in Washington does not imply that Britain is ready to abandon its place on the bridge within reach of the wheel—an apparatus with which, one way and another, it has had quite a lot of experience.

Growing Pains in the Air

[FROM A SPECIAL CORRESPONDENT]

IN drawing up his defence budget for an election year, the President had to balance bullets against ballots, the monstrous demands of the military against what his political medicine-men thought the tax-payer would tolerate. Mr Truman told the services to lower their sights; they came down a notch or two and then refused to go lower. For weeks the White House huffed, while the military puffed. The controversy dragged on until the last week of 1951, just a few days before the President was scheduled to deliver his message on the State of the Union. Only then did he back down, and accept a $52 billion budget for defence in the coming year.

This was $4 billion more than the President had originally been willing to offer, and most of it was secured by the Air Force. When Mr Truman first let it be known that he wanted a much lower ceiling on new military expenditure, the morale of the Air Force had gone into a tailspin. Such a budget would provide handsomely for the Army and the Navy, but it drew a narrow compass round the horizons of the Air Force, which had widened from plans for 95 groups in August, 1950, to 143 groups at the end of last year.

To get enough aircraft to satisfy the requirements of such a force, argued the Air Force, money was needed at once to let the necessary contracts; the aircraft which are now rolling out of factories at the rate of about 600 a month were all paid for with funds appropriated in the year ending in June, 1950, and earlier. In fact, the Aircraft Industries Association has reported that so far not a single combat aircraft has been delivered as a result of orders placed from the $25 billion appropriated in the fiscal years 1951 and 1952. Even though it has warded off any severe cuts, the Air Force must resign itself to a stretching out of its programme of expansion; its goal of 143 modern groups is now not likely to be attained until 1955 or 1956, instead of in 1954 as originally hoped.

*

At the moment, the Air Force is spending the biggest share of its appropriations on the B-47 medium bomber, being built in the Boeing plant in Wichita, Kansas. The Douglas Aircraft Company is also re-opening its Tulsa, Oklahoma, plant to build B-47s, and the Lockheed Corporation expects to get to work on the same model in Marietta, Georgia, before the year is out. A sleek 600-mile-an-hour aeroplane with wings swept back at a 35-degree angle, the B-47 can carry 20,000 pounds of bombs, and is powered by six General Electric J-47 jet engines. But the B-47's comparatively short range—3,000 miles—rules it out as an intercontinental bomber. That mission is still performed for the Strategic Air Command by Consolidated Vultee's giant B-36 heavy bomber, which can carry 10,000 pounds of bombs on a round trip of 10,000 miles, and much heavier loads on shorter trips. The B-36 is still being made in limited quantities. But even when its six Pratt & Whitney 3,500 horsepower reciprocating engines are supplemented by four J-47 jet engines, it lumbers along at a mere 450 miles an hour, fair game for a supersonic interceptor.

The Air Force, of course, has long been working on a successor to the B-36. In addition to an all-jet, swept wing version of the B-36, the Air Force is developing the B-52, which looks something like the B-47 but is much bigger, big enough to make the vital 10,000-mile trip with the deadly 10,000-pound load. Its speed is a tight secret, but since it is powered with eight Pratt & Whitney J-57 jet engines, each developing about 9,000 pounds thrust (compared to 7,200 pounds for the British "Sapphire" jet), it certainly is in the 600-mile-an-hour class. However, this speed is still on paper, for the B-52 has yet to get into the air. The Air Force will have to depend on the B-36 for several years to come, and indeed, the Strategic Air Command is belligerent in its defence of the big bomber, which Navy pilots sneered that they could shoot out of the sky.

The Air Force's own fighter programme is at present concentrated on the F-84 "Thunderjet," being built by the Republic Aircraft Corporation in Kansas City, and the F-86, of course, has seen wide service in Korea, and is Incorporated, in Los Angeles. Both models can do better than 600 miles per hour, and one model of the "Sabrejet" has been officially clocked at 671. Large numbers of the F-84 are now going to service in Atlantic Pact countries; the

F-86, of course, has seen wide service in Korea, and is the only American fighter which has been able to stand up to the Russian-designed MIG-15s flown by the Chinese.

For all its salty talk of shooting down B-36s, the Navy has actually had a stormy time of it in attempting to design a good carrier-based jet aircraft. Carrier aircraft must be so built that their wings may be folded back, permitting easier stowage aboard ship. Unfortunately, the folding mechanism adds to their weight, and so cuts down their speed, and manœuvrability in combat. Furthermore, the decks of many carriers are not strong enough to take the weight of such new attack aircraft as the North American "Savage," which weighs 26 tons. The Navy is now strengthening the decks of most of its carriers, and working hard on new types of catapults which can hurl the heavier jets into the air. Production of fighters for the Navy is still concentrated on the Grumman "Panther," and the McDonnell "Banshee" and "Demon," but faster models are already moving on to the production lines.

In addition to these major projects, the flying services are producing a dozen other fighting aircraft as well as an impressive array of auxiliary craft. But all told, these efforts produced only about 5,000 aeroplanes in the entire year of 1951, compared to 9,000 a month in 1944. Consequently, the air has been thick with the slings and darts of critics who claim that the Administration has traded the nation's guns for an extra pound of butter for the voters. These critics have shot wide of the mark, but the truth is no less bitter. So heedless were mobilisation planners of one vital production factor, the machine tool industry, that the defence effort would have been seriously curtailed even if Americans had tightened their belts to their backbones.

When the Defence Department rattled out its production orders after the war began in Korea, it did so without bothering to find out if the manufacturers would be able to obtain from the shrunken machine tool industry the drills, shapers, planers, jigs and fixtures which they would need to make the thousands of intricate parts in modern weapons. Not until the end of 1951, when the whole American productive machine was heaving and hiccupping like a Model T Ford on a steep hill, did the defence mobiliser come to the aid of machine tool manufacturers with a series of super-priorities for materials. By that time, eighteen months had been lost.

While these production difficulties have received most publicity in the aircraft industry, they are being felt in all branches of armament, including tank production. The American public, well drilled in the lesson that American productive power won the last war, has not yet grown unduly nervous. So far, it accepts the idea that the mobilisation programme is moving through an adolescent stage, and that its troubles are just growing pains. Everyone hopes that the West still has time, and that the country will not have to depend on a boy to do a man's work.

American Notes

Missing Heir at the White House

Like the Republicans, who have General Eisenhower pulling one way and Senator Taft the other, the Democratic party has now also sprouted two heads. Senator Kefauver has announced his candidacy for the party's presidential nomination and has obviously no intention of withdrawing, even should Mr Truman decide to run again. Mr Kefauver's chief assets are the fame he won last year as the head of the Senate's Crime Investigating Committee, his comparative youth and his proven appeal on the television screen. But these assets are also disadvantages, for they have aroused the jealousy of some of his colleagues and have turned against him the important Democratic city machines which were implicated in the scandals revealed by his investigation.

Senator Kefauver considers that President Truman's attack on corruption in government lacks vigour and Mr Truman in his turn has made it clear that he does not regard the Senator as his heir apparent. But he is not yet ready to designate anyone else, even though the fact that Mr Kefauver is openly seeking the support of delegates to the Democratic convention means that the President is being pressed to offer them an alternative. His present strategy seems to be to support candidates in the state primary elections, who, he hopes, can be trusted to deliver their pledged delegates to Mr Truman himself or whomever he eventually chooses. Senator McMahon, of Connecticut, was thought to be such a candidate when he entered the Illinois Democratic primary against Senator Kefauver; but he withdrew, on the grounds that he wanted Mr Truman to run, too late for anyone else to oppose Mr Kefauver, who will thus have a walk-over instead of a chance to demonstrate his strength.

"I Have The Same Trouble"

Herblock in the *Washington Post*

[The elephant traditionally represents the Republican party, the donkey the Democratic. The symbols were devised about eighty years ago by the famous American cartoonist, Thomas Nast.]

Mr McMahon's withdrawal is only part of the Illinois puzzle, for the Democratic governor of the State, Mr Adlai Stevenson, visited Washington last month and immediately became the newspapers' chosen crown prince, even though he insists that he is interested only in running again for governor. He has made a great success of reforming a corrupt and inefficient state government, without alienating the party machine or losing the popularity that won him an overwhelming and unexpected victory four years ago. He is further qualified to be Mr Truman's heir by his liberalism and by his work as United States delegate to the United Nations in its early days. But there are other possibilities in the Democratic family—the Vice-President, Mr Barkley, in spite of his age, the Speaker of the House, Mr Rayburn of Texas, Senator Robert Kerr of Oklahoma—even though the Chief Justice, Mr Vinson, apparently insists on staying where he is. And still no one can be sure that in the end Mr Truman may not decide to try and succeed himself.

* * *

Rats in the Granary

The Commodity Credit Corporation, which since 1933 has been supporting farm prices by loans and purchases, is to follow other government agencies under the microscope. None of the employees of the CCC is charged with more than lack of diligence, but the Controller-General, stepping in where the Department of Agriculture seemed slow to tread, shocked the Senate into action by revealing that there was a shortage of $3.8 million worth of grain stored in five south-western states alone. In most of these, and similar cases, individuals entrusted with government grain sold it, hoping to replace it later at lower prices; they were caught out when prices rose.

Mr Brannan, the Secretary of Agriculture, contends that, even if the losses reach $5 to $7 million, this is a relatively small matter ; and it is true that, if the committee of inquiry is to be really helpful, it must recognise what a mammoth task the CCC has been asked to perform. In three bumper years alone it handled $10 billion worth of commodities, and Congress made matters more difficult by requiring that storage, as far as possible, should be entrusted to private firms, which often had to mix government grain with their own. The CCC, in existence since 1933, has lost only $1 billion, thanks in large part to abnormal demands during the war.

In 1950, the government's investment in commodities stood at a peak of $4 billion, but during 1951 about half of this was liquidated, and the CCC showed a profit. In his budget for the year beginning next June, however, the President has set aside $270 million for price support operations, as an aid to increasing production, and building up present low stocks of wheat, cotton and maize. Cotton farmers, in particular, bruised by last summer's price fall, are demanding higher supports for cotton prices ; many lost substantial amounts of money when the Crop Reporting Board overestimated the cotton crop by nearly 2 million bales, and the price fell by 5 cents or more a pound.

The need for ensuring a high level of production has given the President an excuse for suggesting a change in the support system which at bottom seems to be only a new bid for the vital farm vote. In 1949, after much controversy, Congress authorised flexible price supports, to take effect in 1951 and 1952 ; the support level might be reduced when supplies of a given commodity rose substantially above normal. It is this element of flexibility which the President now proposes to discard, on the grounds that farmers should not be penalised for growing all the food and fibre the nation needs. Under the law, however, the Secretary of Agriculture need not lower the support price unless he believes it desirable. It would be a pity to revive the rigid farm supports which, in more normal times, might lead once more to overproduction of basic crops and discourage farmers from making the necessary adjustments.

* * *

New Assault on the Federal Reserve

The Federal Reserve Board, which won a measure of independence from the Treasury last March, is soon to be called upon by Congress to justify that freedom. The accord reached nearly a year ago allowed the central bank, in the interests of restraining inflation, to withdraw its support from the government bond market ; large institutional investors, no longer able to sell their government securities without loss, suddenly became unable to feed the domestic boom. Almost at once, a subcommittee of the Joint Committee on the Economic Report was created, under the chairmanship of Representative Patman, to inquire into credit policy and relations between the Treasury and the Federal Reserve Board.

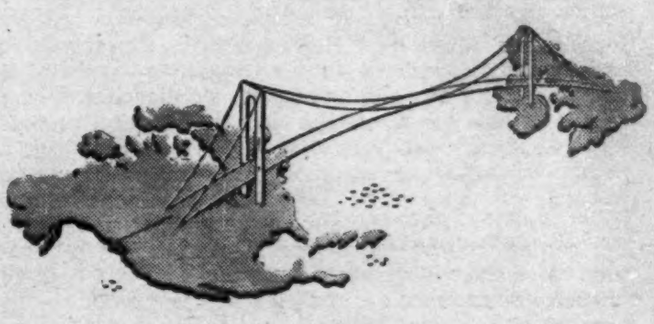
This is ground which was covered only two years ago, and with great distinction, by a similar committee under Senator Douglas. Its report stoutly upheld the responsibility of the FRB to control credit in the interests of the economy as a whole, and deprecated the efforts of the Treasury to use the credit mechanism to perpetuate cheap money and keep down the cost of financing the federal debt. Mr Patman, however, has all the westerner's historic dislike of tight money and rising interest rates ; in the past he has advocated printing-press money and the abolition of interest on the federal debt and last summer he urged that the Federal Reserve Banks be required by law to buy all government securities at par. The questionnaires sent out reflect his conviction that the Federal Reserve System should be made responsible to the political authorities, and his interest in nationalising the Reserve Banks by substituting government ownership for that of the member banks. The subcommittee's new economist is Mr Henry Murphy, a former Treasury man.

Some of the alarm of banking circles may, however, prove excessive. Senator Douglas, though no longer chairman, remains on the committee, as do Senator Flanders and Mr Wolcott, both firm believers in the independence of the central bank. But if there were any deep-laid plans to undermine the independence of the Federal Reserve Board the President, an outspoken critic of its bond policy, would hardly have overlooked an opportunity to appoint to it men of his own persuasion. His two new appointments, Mr Robertson and Mr Mills, are the personal selection of Mr Martin, the FRB chairman. What the Patman inquiry may do is to throw more light on the truce between the Treasury and the Federal Reserve Board, which, it is rumoured, they still interpret somewhat differently. But the Treasury, which must depend on the central bank for help in its coming refunding programme, and in financing the deficit expected in the year which begins next June, is not, apparently, anxious to reopen hostilities.

* * *

Men for Security

Congress is being urged to approve the practical details of the programme for universal military training, already accepted in principle at the last session. The shortage of military manpower means that there is no hope at present of launching on a full scale the scheme which is now being called by the more prepossessing name of National Security Training ; it would involve a $2-$4 billion programme for six months' training for 800,000 eighteen-year-olds annually. But the advocates of the measure would like to see a beginning made before the end of this year on a "pilot" basis of 60,000 youths, perhaps some of those deferred from conscription for occupational reasons, perhaps volunteers who would then be conscripted for only eighteen months instead of two years. Opposition to starting NST on any scale



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whatsoever is not limited to the traditional foes of "militarisation"—educational, labour, farm and other civic groups. Congressmen with one eye on the budget and the other on the ballot-box are reluctant to put the programme into action, at least until after the election.

Meanwhile, the manpower "pool" of men aged from 18½ to 26 now liable for Selective Service is being drained more rapidly than it is refilled by youths growing up, and civilian manpower needs for factory and farm are more pressing than ever. Furthermore, this year hundreds of thousands of the conscripted, reserve and National Guard members of the forces, who were called up after the Korean outbreak, will complete their two years' service and be eligible for discharge. The realisation that manpower limits are being reached and that a slowdown in expansion of the services is needed apparently explains the cut in the draft call from 52,500 in February to 28,600 in March. About 800,000 men have already been called up since conscription was resumed in September, 1950.

One answer to the possible shortage of men for the services is the Bill now in Congress providing a 10 per cent increase in pay for all servicemen, which it is hoped will stimulate enlistment into the regular services for four-year periods. Such enlistments would reduce conscription needs. For a private entering the army, the pay increase would be from the present $75 to $82.50 per month; a second lieutenant's pay would rise from $213.75 to $235.13. Subsistence allowances would also be increased by 10 per cent and President Truman has asked for additions to survivors' benefit insurance. These increases will bring the total expenditure in the fiscal year beginning next July, for pay, clothing and subsistence for the 3,700,000 in the armed forces, to $11 billion, 21 per cent of the national defence budget.

* * *

Atoms Unlimited

When the latest programme for expanding atomic energy facilities is finished, in about five years, the American Government's investment in atomic energy will be quadrupled. Already, with atomic installations worth $2.5 billion, this industrial undertaking is larger than that of any private corporation; a further expansion, approved in October, 1950, which will bring the total investment to $5 billion, is under way, and last week the President proposed (and Congress seems sure to accept) yet another $5 or $6 billion worth. Moreover, this latest request will apparently cover only facilities for the production of fissionable material; more money will be needed for running the new plants and for putting their output to practical use. The $1.7 billion that the country is spending on atomic energy in 1952 will probably be exceeded for many years to come.

The new installations will not actually be begun until late in 1953, when the 1950 expansion should be completed. According to its report last Wednesday, the Atomic Energy Commission is already responsible for three per cent of the country's total expenditure on building and the $5 billion programme, if begun at once, would put an excessive strain on supplies of such scarce materials as structural steel and lead, and on the even scarcer supply of scientists and technicians. For these reasons the government is not prepared to expand its atomic activities nearly as fast as Senator McMahon and his Joint Congressional Committee wanted, although it apparently agrees with him that the expansion will eventually mean a saving on "conventional" weapons. For this is definitely a preparation for the "fantastic" new weapons which last autumn's atomic tests in Nevada proved feasible, and it is being taken as a sign that the basic problems in the production of such weapons have been solved.

Even if, by some happy chance, the United States no longer needs fantastic weapons by the time an almost unlimited supply of fissionable material is available, it seems probable that much of the research that has gone into them will have peacetime applications. And since their production is being undertaken almost entirely by private firms on government contract there will be plenty of people with the experience necessary to make commercial use of atomic discoveries.

Atomic development is, however, still limited by secrecy and by the lack of international exchange of information. The latter was in theory made possible, under certain strict conditions, by Congress last autumn, but the procedure was so cumbersome that it was doubtful whether it would in practice be used. However, the first exchange under the new regulations has just taken place, between the United States and Canada, and the first steps towards a similar exchange with Britain were arranged during Mr Churchill's visit to Washington.

* * *

Woollen Wars

The civil war between north and south for the possession of the country's textile industry has now spread from cotton to wool. Last month the president of the American Woollen Company, which produces about one-seventh of America's wool and worsted fabrics, announced that its duty to its stockholders might require the company to move most or all of its operations from New England to the south. A number of its smaller competitors have already moved, or are considering moving, to such states as North Carolina and Mississippi. Woollen fabrics are at present in less demand than at any time in the last twenty years and New England firms are quite unable to compete with the lower wages and greater output a man-hour which enable southern firms to sell their cloth at from 20 to 50 cents a yard less than can those in the north.

The American Woollen Company employs over 20,000 people in Lawrence, Massachusetts, and another 40,000 or so in its 21 other factories scattered over New England. Its announcement of a possible move was a public warning to the textile workers' union, already concerned at the spread of unemployment amongst its members in the north. The union's contract with woollen and worsted manufacturers expires in March and the American Woollen Company and a number of other firms are seeking wage reductions and increases in individual work loads. In view of the rising cost of living and the general trend towards higher wages, the union feels that it has done all that can be expected of it by deciding not to seek a wage increase this year. A possible way out of the threatened strike is, however, shown by its recent agreement with the Wyandotte Worsted Company, where workers have undertaken to handle six, instead of only four, looms each for the specific purpose of meeting southern competition.

In the less strongly organised south, however, each worker handles up to sixteen looms. This adaptability of labour and the local tax concessions made to business in the south play a more important part in reducing costs, compared with New England, than do the south's lower wages, a differential which is in any case gradually disappearing with the growing industrialisation of the area. The federal government, urged on by the textile unions, may also help to wipe it out, by raising the minimum wage that must be paid to all those working on government textile contracts—for uniform cloth and so on—and perhaps by setting minimum rates for pensions and other benefits.

There is yet another civil war going on in the textile industry, that between wool and the new synthetic substitutes—dynel, dacron and others—and here the north does not seem even to be trying to fight the south. The raw materials for these new fibres come from the south's great chemical plants and it is mainly because of the new factories being built to spin and weave these synthetics that textile expansion has been breaking all records in the south, in spite of the depressed state of the industry as a whole.

THE WORLD OVERSEAS

Nigerians Become Politicians

(From a Correspondent in Ibadan)

THE surprisingly rapid development of party politics in Nigeria will almost certainly be reflected in the new central House of Representatives which met for the first time in Lagos last Tuesday. Since the first steps were taken towards the new constitution (and particularly since the conference at Ibadan two years ago) the pace of party development has been rapid. Dr Azikiwe's National Council for Nigeria and the Cameroons, mainly based on the east, but with some support in the west and the beginnings of a foothold in the north, has gained much ground. The emergence of Mr Awolowo's Action Group as a fully fledged party, now firmly entrenched among the Yoruba people of the west, has been even more striking. The elections, in fact, were fought more widely on a party basis than had been expected. Moreover, it is now seven months since the first elections were held and this protracted electioneering has provided a great forcing-house of party politics. Campaigning entered on a new and even fiercer stage as the election results came in, this time among the elected representatives themselves, and many members in the west and east have joined one or other party since their own election. In Ibadan, for instance, three members crossed the western House of Assembly to join the Action Group just before the elections to the central House of Representatives.

The constitution-builders have clearly been taken aback by the speed of these developments. At the opening ceremony of the Western House of Assembly in Ibadan early last month there was a slight hold-up because Action Group members refused to enter the House until the seating arrangements gave them the status of majority party. This may sound trivial, but it is a real straw in the wind. Mr Awolowo's successful challenge to the National Council in the west has raised the whole question of how the constitution will work in the context of party politics.

A Two-Fold Strain

It seems that the strain may be two-fold. In the first place the National Council has a majority in the east, not quite so large as at first stated but increasing as independents jump on to the party bandwagon. (But some very distinguished independents remain without party affiliation.) And the Action Group has a working majority in the west—but not a two-thirds one, as required for some purposes. In both cases there will be an attempt to conduct business on party lines. The central government may have to deal with two different majority parties in the two different regions. The only saving grace in this situation is that the two parties hardly differ in principle, both being equally anti-British and growing more extremist as each bids for nationalist support.

In the second place, the west has sent 34 members mainly from the Action Group to the centre, and the east 34 from the National Council, to meet the 68 from the north who are remarkable principally for their very strong northern exclusiveness. The two majorities claimed the right, as majority parties, to choose for themselves the four members who should become the Ministers at the centre for their own region, and the Governor's task in choosing the first Council of Ministers was extraordinarily difficult and delicate.

Naturally personalities count for much in this situation. Dr Azikiwe, or Zik, is a human dynamo, bursting with life and energy, a first-class agitator well equipped to raise public feeling, through his newspapers, on any subject under the sun. Mr Awolowo is quieter in manner and on the public platform, but has at least as much ability if less personal magnetism. Zik can draw crowds, but Awolowo can keep his friends. The irony is that both of them are now in the Western House. Zik chose to stand for a Lagos seat, though his main support is in the east, and thus the two giants are now ranged against each other.

Whether both of them would also go to the centre, was for a time a burning question. In the end only Awolowo has gone. Of the five National Council members elected for Lagos, two had to be chosen to go to the centre. The party discipline of the National Council failed to reduce the five candidates to two. All of them insisted on standing and the Western House, with its Action Group majority, naturally did not choose to elect Zik. The choice fell on Dr Nimbe, a Moslem Yoruba, charming, volatile, and popular as mayor of Lagos; and on Prince Adedoyin, the "gay prince of Shagamo," a valuable asset to the National Council as the only one of its leaders from a senior Yoruba chief's family. For the time being, it looks as though Zik has been worsted partly by implacable Action Group hostility and partly by lack of unity among his own supporters.

What Zik himself is thinking no one quite knows, though it may have occurred to him, as it may also have occurred to the administration, but apparently not to the Action Group, that he could become a far greater man and a far more dangerous one outside the government than inside it when he would have to share the responsibility for what it does. It is only a few weeks since he declared his irrevocable decision not to take office in "an inferior legislature of the colonial type," but this does not quite square with the desperate attempts he has been making to get either Nimbe or Adedoyin to make way for him.

In spite of these tangles the ultimate prospects for Nigeria and the new constitution are not gloomy. Once the mechanics have been mastered, and assuming a fairly stable government is formed, the existence of two strong and growing parties should be a great asset to the country. The dangers of party monopoly, as in the Gold Coast, should be avoided, though there might be an increased tendency towards regional separatism. At any rate, it is astonishing how quickly the new constitution has been clothed in the flesh and blood of political reality.

At the same time, there are dangers ahead. The rate of political development is so swift that the new constitution may be outdated in two or three years. The last constitution came into being in 1947, and endured just long enough for its successor to be formulated. Already voices are being heard demanding further advance, although the long-suffering National Council confines itself to the slogan "Liberty in 1956."

Meanwhile Nigeria's new legislators have much to think about. The regional budget sessions are due this month. It is most unlikely that new men will not want new measures. On all sides there is talk of the welfare state, and clamour for vast expansion in the social services. Not nearly so much is said about vital economic development. But the new constitution will remain a mere academic exercise in political theorising if the basic problems of economic progress are not more squarely faced. The Nigerians have become politicians. They have yet to prove they can be statesmen.

Germany's New Model Army

THE German public has been shocked out of its state of aggrieved confusion by the news that the first German divisions may be set up this spring. Minds are still by no means made up, as the available data have been meagre. Until very recently, the only discussions of the actual methods and ideas which should direct rearmament were those which have been taking place in professional military circles. The soul-searching visible among the ex-officers can be understood only when it is remembered how high the position was from which the army fell, twice in the last thirty years. Germany was the only western country which had a *mystique* of war. The soldiers were ready to die heroically in wars for the glory of the Fatherland or for a crazy crusade against Bolshevism. War was a biological necessity, or a political expedient, and defeats were a matter of "fate." The idea of having an army purely for the purpose of humdrum defence is quite novel. The old homogeneity of the army was, moreover, shattered by Hitler and Himmler. Men who did not belong to the social class of the old Prussian officer entered the services; and the *Waffen SS* set up a separate organisation with men chosen on biological grounds, who were indoctrinated against Christianity and the "inferior races." The SS itself was separated into sections which were responsible for most of the atrocious crimes of the Germans.

For these reasons, the prospect of a revived *Wehrmacht* has led ex-officers to debate such matters as *Soldatenehre* (soldierly honour), the July 20th plot, and the difference between rebellion and treason. Was it excusable to try and save Germany by killing its commander-in-chief? Should a West German under American command fight an East German under Marshal Zhukov? Should a German soldier blow up a bridge in a retreat from his country to cover a French army? Should the officer corps admit that actions in the last war sometimes fell far below the high Prussian standard, and hold army courts of honour to try the offenders? Should they show solidarity with the *Waffen SS*? Some of these questions have been answered on the principle that German loyalty *vis-à-vis* the outside world demands a solid front and no washing of dirty linen. The ex-officers will stand by the *Waffen SS*; and the western powers must clear Field-Marshal Manstein and other prisoners of any taint of crime. The foreigners who want to command Germans must re-establish the principle that the soldier's oath of loyalty is inviolable; otherwise they will only have themselves to blame if they are disobeyed in a future war. So runs the argument.

Although their own internal disputes are still incompletely resolved, a number of generals and ex-officers have approached the public with ideas for a new start. Leading figures such as Generals Blumentritt, Manteuffel and Westphal are backing Dr Adenauer's proposal that Western Germany, on a footing of complete equality, should come wholeheartedly into a European defence force with a new type of citizen army. They reject the original Pleven Plan, but would accept national contingents which were merged under international command at army level. (This is more than the present plan for a European Army will allow. National contingents will be joined at Corps level.) Their ideas have been published in a small book named *Armee ohne Pathos** (which is best translated as "Army without Heroics"). The arguments that they address to their fellow-countrymen indicate the obstacles to be overcome before the Germans accept the idea of defending the west.

The contributors ask for a moderate, sober approach to the problem—and this in itself is something new. They make the usual claims to equality, but also ask Germans to bury the resentment they feel against the west, and against those of their fellow-countrymen who suddenly became anti-militarist in 1945. The book gives, *inter alia*, a useful reminder that Germans have been brought up in the tradition of enmity to France, but not to Russia. There are men in military circles who remember Bismarck and Seeckt, and toy with the idea that Russia is really Germany's traditional friend; and there are others who think that Germany, by staying "neutral" and by playing off the east against the west, may emerge once more strong, if solitary.

Against all such views the contributors to *Armee ohne Pathos* present reasoned arguments in favour of defending the west. Some among them are not deterred by the thought that, in the event of war, German would have to fight German. They examine coldly the possible necessity of using Germany as a ground for mobile warfare. They point out that the terms "Elbe Line" or "Rhine Line" are meaningless. There has never yet been a line which could be held.

The German generals demand that the west shall produce a grand "strategic conception," embracing the world. Most Germans, incited by Dr Schumacher, want to know what the strategy is before agreeing to fight; and they insist, moreover, that the Allies' plan shall be one which will prevent Germany from becoming a battlefield. The generals complain that nobody, except perhaps Mr Churchill, has shown any imagination in the last two world wars. Too much reliance on technical material has weakened strategic thinking. They are convinced that the west would win a war in the end, for it has superior economic strength and would fight on exterior lines. If Stalin were to decide on a preventive war, he would strike at the points from which the west might close in on the Soviet Union, even if Russian tanks in the meantime had overrun Western Europe. This would mean a Russian move in the first instance through Persia and to the Suez Canal. But it is not considered likely that Stalin will start a war he would be bound to lose.

Citizens in Uniform

As for the new divisions to be contributed to a European force, the German "soldiers of the cold war" would not live in garrisons as a class apart. They would be highly trained for instant mobile action. But basically they would be citizens in uniform. The army would provide training for civil life, even a kind of trade union, and matters of supply and communication would be in the hands of "managers." Soldiers would keep their civil rights and receive no extra privileges. Training in individual initiative would take the place of Prussian drill. Some of these ideas had already been thought out by reformists in the Hitlerite *Wehrmacht* who called themselves the "Young Turks." The men who went through the Russian campaigns are hard men, who were determined to kill as many of the enemy as they could before they died. The older German ex-soldier is tired of heroics and does not want them in a new army; while the young men "couldn't care less" about an army at all.

The view is often expressed that the young men will have to be imbued with "an idea" more inspiring than that of democracy before they will be ready to fight the Russians and their Germans. The professionals who have compiled *Armee ohne Pathos* see this weakness, but still believe that it can be overcome by sober argument and by making a new start. There is no doubt that if the Germans agree to an army of any kind it will be created on the lines that the progressives propose. But will they secure their demands? The defence community as it is now taking shape falls far short of their terms: sovereignty, a European force of sixty divisions and a strategic plan which would leave Germany unscathed.

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* *Armee ohne Pathos.* By Adalbert Weinstein. Köllen-Verlag, Bonn.

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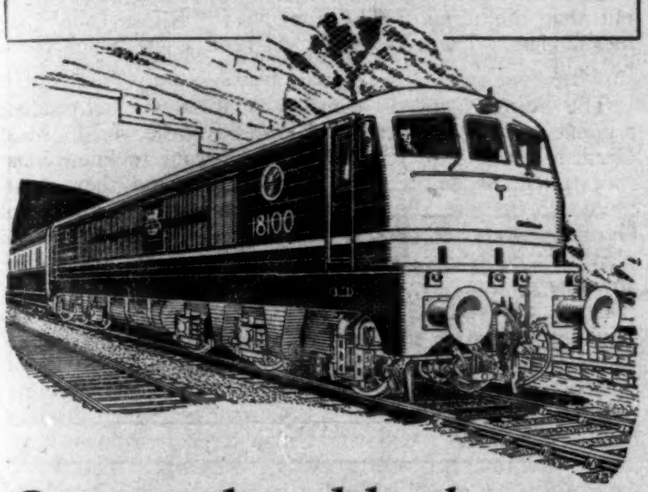

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Partnership or White Supremacy?—II

[FROM A SPECIAL CORRESPONDENT]

It cannot be denied that in recent years Africans, the vast majority of the population, have made real progress in Northern and Southern Rhodesia. In Northern Rhodesia, it is estimated that while the cost of living index stands now at 168 compared with prewar, African wages have advanced 200 per cent. This does not measure the whole progress made. There have been considerable increases in expenditure on services, especially on African education. Northern Rhodesia owes its present prosperity almost entirely to copper. On the mines, reasonable housing and excellent medical attention are provided for Africans, and the mining companies are genuinely anxious to build up a stable, non-migratory labour force as far as circumstances will permit, as well as providing amenities to keep it contented.

In Southern Rhodesia, the growth of urban areas and industries has undoubtedly benefited Africans economically. There are still numerous industrial colour-bar restraints which are not necessarily enshrined in law: nevertheless, Africans in Southern Rhodesia are penetrating into industry and doing more and more semi-skilled jobs. It is now becoming recognised in Southern Rhodesia that the African's money is as good as anyone else's—and that African purchasing power is assuming significant dimensions. This does not mean that African wages are high. To put the average African wage in either of the Rhodesias as high as £3 a month would probably be over-optimistic. But, in countries as poor as these African territories, £3 a month becomes a powerful magnet.

Nyasaland, the Cinderella of Central Africa, has far fewer colour-bars than the Rhodesias. But it also has few economic opportunities. A very high proportion of Nyasaland's able-bodied adult male Africans look elsewhere for their livelihood—usually in the Rhodesias or the Union. Unlike its neighbours, Nyasaland has no penal provisions for Africans who "contract" to work and then fail to do so. But few Africans, in white employment or out of it, work more than three or four hours a day, and the average cash wage is not much more than 17s. 6d. a month—perhaps not surprisingly. Africans are perfectly free to form trade unions; but in 1950 the "biggest" union, the Nyasaland Motor Transport Workers' Union had an income of £1 5s against an expenditure of £10 7s. (By contrast the African Mineworkers' Union in Northern Rhodesia has a paid-up membership of 25,000, offices and a full-time staff.) District officers in Nyasaland maintain close personal contact with the people in their care, and race relations in Nyasaland are uniformly harmonious. But field workers in a recent survey of the Domasi area, near Zomba the capital, found that among the 14,000 people living there, wheelbarrows were unknown, all cultivation was by hoe, the energetic were held back by swarms of the crippled, the blind, the mentally deficient and the merely parasitical, and that half the women and two-fifths of the men reacted positively to syphilis tests, while there was much malaria and bilharzia. Nyasaland, a green and hilly country, is pretty to look at, but no paradise for the people who have to live in it.

White Rhodesians naturally contrast these conditions with those of Africans in the Rhodesias, and conclude that opposition to federation by Africans in all three territories on the ground that it might prevent Rhodesian Africans from ever acquiring the "rights" they enjoy in Nyasaland, and would bring the Nyasaland Africans "down" to the Rhodesian level, is absurd. But this misses a good deal of the point of the opposition. It is precisely because the Africans in the Rhodesias have made economic advances that they object to their further advance being opposed by the artificial restraints of the colour-bar. As an official report on prewar disturbances on the Copperbelt remarked, "pathetic contentment is rapidly giving way to what has been called divine discontent." Its most significant aspect is that this "divine discontent" is being expressed most vocally by the minority of Africans who themselves have advanced farthest and fastest.

The Europeans are fond of saying that because this section is admittedly a minority, its views need not be heeded as they are only those of "intellectuals" who are "out of touch with the African mass." This is probably the biggest single blunder the Europeans could make. These vocal Africans are the new middle class who are backed by the growing industrial proletariat in both the Rhodesias. They cannot be ignored, nor can the Europeans placidly assume that because the mass of Africans are not vocal, therefore they are not interested in the outcome of the struggle. On the Europeans' own argument, it would be much wiser to gain the friendship of the advanced minority, since this would make them less vocal, while there could not possibly, in present circumstances, be that mass stampede of Africans through the opened doors of economic or other opportunity which the Europeans profess to fear. In short, the Europeans would lose nothing by opening the doors, because only the minority who are now hammering at it would have the ability, or perhaps even the inclination, to enter.

Some Europeans do see this; frequently now there are discussions on the desirability of "equal rights for all civilised men irrespective of colour." But these discussions remain quite academic. Even this preliminary step is only to take place in "twenty-five years" or at some similar conveniently far-off date. But the educated, "civilised" Africans are knocking at the door now. And nothing could be worse than the sort of lop-sided, half-hearted advance which, in Northern Rhodesia, instals two "educated Africans," Mr Yamba and Mr Sokota, on the Legislative

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Council, pays them about £900 a year each, thus putting them far ahead and therefore high in the esteem of their fellow Africans—and then submits them in daily life to much the same treatment as all other Africans.

Meanwhile the mass of white opinion in both the Rhodesias remains implacably opposed to any tampering with colour-bars. In Northern Rhodesia, even an "educated" African may find himself debarred from entering a Lusaka shop, and have to be content with being served through a hatch opening on to the pavement. White Rhodesians do not understand why, in the light of this attitude, the African leaders reject "partnership" as a pious fraud, and oppose federation. Yet a federation which really did include so modest a beginning of racial partnership as the removal of economic colour-bars, by the proffering of equality of economic opportunity to the few who alone at this stage could take advantage of it, and the conferring of equal political rights on all civilised men irrespective of colour (which again in present circumstances could not possibly result in any "submerging" of the Europeans) would almost certainly be in the best interests of all the inhabitants of all three territories, both white and black.

(Concluded)

Troubles Over Tunisia—II

An article in *The Economist* of last week described the nature of the pull and counterpull that have for years been exercised upon successive French governments by the Tunisian nationalists and the French settlers in Tunisia. In the early stages of this conflict, the complications it presented in Paris could be mitigated by basing French policy on the feelings against the left wing Néo-Destour cherished by the Bey and a conservative upper class—*les Béni-Oui-Oui*, as they were contemptuously known to young nationalists. But since the war this technique has become less and less possible because demands for change in the form of government have been advanced by all classes up to and including the Bey.

For the first six years after the collapse of Rommel and the restoration of French rule, these claims produced only a few meagre alterations in the *status quo*. But in 1949 several events combined to produce an atmosphere conducive to change. On the one hand, the United Nations proclaimed the rapid stages whereby Libya was to reach independence. It became clear to everyone except the most diehard among the French settlers that the far more advanced Tunisians could not be left behind. On the other, the leader of the Néo-Destour, M. Habib Bourguiba, who had left for Cairo in 1945 in disgust with France and in hopes of basing Tunisian nationalism upon the Arab League, returned home out of love with that divided and disappointing body. Both Tunisians and Frenchmen were in a mood propitious to negotiation.

The government which they set out to change was—at the time—composed as follows: The Bey ruled through a cabinet consisting of seven Frenchmen and six Tunisians, but their decisions required a Frenchman's "visa" before they were passed upwards. The cabinet was served in economic and financial matters by two elected Grand Councils of equal size, one composed of Tunisians, the other of local Frenchmen but only in an advisory capacity. Local government, too, was nominally conducted by Tunisians. But in practice all internal control remained in French hands because a French official took the chair at all cabinet meetings, because French counter-signature was essential to all beylical decrees, and because French civil controllers supervised even municipal and rural authorities.

In the summer of 1950 the new moods of 1949 yielded two results of importance. In the teeth of the diehard element among the settlers, a new French Resident-General, M. Perillier, was instructed to institute three major reforms and, if possible, to do so with Tunisian collaboration. He was immediately to reconstitute the cabinet; he was to alter the terms of access to the civil service, making jobs available to Tunisians on a basis of fixed proportions instead of by competitive examination, as the French settlers prefer; and he was to institute municipal self-government. In August, 1950, and, unprecedently, after consultation with the Bey, he announced the formation of a new cabinet in which the number of Tunisians for the first time equalled the number of Frenchmen, and which was to be chaired by a Tunisian Prime Minister, M. Chenik. Among its seven Tunisian members were representatives of all parties except the Communists and the eastward-looking *Vieux Destour* party. Even the Néo-Destour agreed to serve. By February, 1951, several changes had been secured by agreement, including a ruling that ministerial decrees no longer required the hated French "visa" before passing to the Bey for signature. Everyone was pleased except the settlers. What went wrong in 1951?

The root of the recent troubles is that whereas the Néo-Destour, and, indeed, most Tunisians, look on these reforms merely as the start of a quick turnover to complete self-government, the French settlers regard them as limits beyond which Paris must not go. In October last M. Chenik, accompanied by M. Perillier, visited Paris to discuss further changes. The Grand Councils had become a dead letter and there were hopes that he would secure an elected National Assembly to which the cabinet would be responsible. Meantime, municipal reform had not materialised on account of the settlers' opposition to the proposals for their representation, and M. Bourguiba was becoming audibly more impatient. Yet all seemed to be going well in Paris. M. Chenik sent for colleagues. On October 31st his team turned in a memorandum. Whether because of alarm at the strength of the settlers' lobby in Paris, or because they were fired by the attention paid abroad to M. Bourguiba's grievances, or both, they delivered a document that was more intransigent than had been expected. It said that Tunisian political institutions must be entirely Tunisian. A roar of protest rose from the settlers, who proclaimed that their immense contribution to the prosperity and development of the protectorate had earned them a right to representation. A large cabinet committee consisting of assorted opinions from M. Pleven's team drafted the fatal reply of December 15th that has been the cause of so much subsequent trouble. It said that the settlers must be represented in Tunisian political institutions. The Tunisians took this as a flat rejection of their demands and went home.

Rival Sets of Claims

Back in Tunis, M. Bourguiba fired them with the idea of an appeal to Uno. M. Chenik, it is said, signed the appeal with misgivings. The Bey was not consulted. Upon its delivery, the French pointed out that it was out of order, since Tunisia must lay such complaints through Paris. Meantime M. Bourguiba had called a Néo-Destour congress, and some factions more extreme than he, and opposed as much to the Tunisian moderates as to France, had clashed with the police. The moment was unfortunate; a new High Commissioner, M. de Hauteclocque, had only just arrived, and France was without a government. The French authorities forbade the Néo-Destour congress and arrested M. Bourguiba and his chief lieutenant an hour or two before it was due to take place. There followed the armed clashes of the last two weeks. These have been checked by two expedients, first, an appeal for calm by the High Commissioner, launched in his name and the Bey's and seconded, from his place of arrest, by M. Bourguiba in order to give France a "last chance" to come to terms; and, secondly, the despatch to Tunisia of many French troops and police. But the French say that they can release the arrested leaders and resume conversations only if the appeal to Uno is withdrawn, whereas the Tunisians in the cabinet answer that the releases and fresh French proposals must come first.

There is a lull, but it has done nothing to resolve the fundamental difference between nationalist and settler—that is, between two rival sets of claims to both of which France is in honour bound to attend.

(*Concluded*)

Asia—According to Mao

IN present discussion of the right policy to adopt towards the Chinese Communists there has been little attempt to assess their aims and policies from the only available source—their own pronouncements. Yet speeches and articles freely available provide a reasonably clear picture of Mao Tse-tung's attitude to the outside world and of the dominant role which he intends to play—or says he will play—in Asian affairs. To Mao his revolution has reached a stage comparable to that reached by the Bolshevik revolution at the time when it was forced to fight against foreign intervention. He is determined to proceed with the revolution at home, to stamp out all counter-revolutionaries, to transform China from an agricultural to an industrial country and, eventually, to undertake "economic construction on a colossal scale." It is recognised that China is a backward country and that these plans are highly ambitious and will take 30 years to carry out. This does not mean, however, that Mao has resigned himself to cultivating his own garden. On the contrary, he is well aware that his alliance with a strong military power—the Soviet Union—puts him in a far stronger position than was Lenin at a similar stage of the Bolshevik revolution. He can therefore afford to look outwards and exploit the situation that he sees in Asia.

The close alliance and co-ordination of policy between Mao and Stalin is the dominant factor in the Asian situation today. It might eventually be wrecked by growing personal rivalry between Stalin and Mao—or, since Stalin seems to be the more cautious, by disagreement over exactly what risks are permissible. But there is no evidence that a split between Mao and Stalin can be counted on in the immediate future, and the two leaders are clearly united in their determination to foment armed "liberation movements" among colonial movements everywhere.

As long ago as November, 1949, blueprints for Asian revolutions were drawn up at the Peking conference of the Communist-dominated World Federation of Trade Unions. At that meeting Liu Shao-chi, the leading "Moscow" man in the Chinese Communist Cabinet, said that "armed revolution must be the main theme in the people's liberation struggle," and that it must be supplemented by "legal and illegal mass-resistance" in enemy-controlled areas and cities. A week or so ago a leading article in *Izvestia* declared that the success of the Chinese revolution and the successful resistance of the New China to the American aggressors "inspires the peoples of Asia who remain under the yoke of imperialist oppression to intensify the national liberation struggle." It added that the Korean struggle has "become the standard of the liberation aspirations of all the oppressed people of the East" and that the plans for national liberation are "rapidly extending" in Malaya, Burma and the Philippines.

Although Stalin remains the chief planner of the grand strategy of Communist expansion, it seems that Mao has staked a claim to take over the tactical leadership in fomenting "liberation movements" in Asian territories. His claim to organise the Asian revolutions is based on his proved success in his own country. In China, where the industrial proletariat was extremely weak, it was necessary to work out a different revolutionary prescription from that used in

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Russia, where the industrial workers in the cities formed a sufficiently strong basis for revolution. The methods which made Mao victorious are now to be applied wherever colonial or semi-colonial conditions make the methods of the October Revolution inapplicable. This was made clear by a prominent Chinese Communist, Lu Ting-yi, in an article written for the 30th anniversary of the Chinese Communist party last July.

> The classic type of the revolutions in imperialist countries is the October revolution. The classic type of the revolutions in colonial and semi-colonial countries is the Chinese revolution. To use the standpoint, viewpoint and method of Marxism-Leninism to solve the problems of the Chinese revolution scientifically, systematically and in a classic way and thereby also solve in general a series of concrete problems of the revolutions in colonial and semi-colonial countries—such a theory is Mao Tse-tung's theory of the Chinese revolution.

The speeches and statements of the Chinese Communists leave little doubt that they intend to try to extend their control, either direct or indirect, over the whole of Asia. They have specifically demanded that America and its allies shall clear out of Korea, Formosa, Indo-China, Malaya and Burma. It seems that they seized Tibet because they were determined to link up territorially with India, not in order to stage a direct invasion—at any rate not in the immediate future—but in order to have a base from which to foment revolution in India. (They have not forgotten Lenin's dictum that when China, India and Russia are joined in communism the victory of world revolution will be assured.) Perhaps the most important immediate aim of the Chinese Communists is the conquest of Formosa, because it is the most likely base from which counter-revolution, backed by the Americans, might come.

The Chinese people have been told that the revolutionary war is not yet completed and that they must be prepared for a protracted struggle with the "US imperialists." The industrialisation of China is to go on, but the highest priority is now to be given to building up a strong military force equipped (with Soviet help) with all the latest weapons. "All our construction work must evolve round our national defence." Thousands of Chinese have been enrolled in military cadre schools, where they are being given the technical training essential for modern soldiers. The importance of the past and future role of the People's Liberation Army is constantly stressed. It is "an instrument of the ideological leadership of the people's proletariat, serving the people's struggle and creating a revolutionary basis." It is already alleged to have made China a "military world power." Every effort is to be made to continue building it up into a "regular and modernised national defence army" so that it can not only defend China, but also "protect the peace of the Far East and the world." These things, and many others, can be read in the press and wireless output of China as clearly as the programme of Nazism could be read in *Mein Kampf*.

Nato's Wise Men Answered

THE governments of the North Atlantic powers have now all replied to the report of the TCC—or Three Wise Men—all, that is, except France, which has good reasons for delay. And the outlook, if not bright, is brighter. One part of the report consisted of specific recommendations to each country, except Britain, Portugal and America (to whom it scarcely applied), to increase their planned expenditure on defence during the current year. Apart from Canada, Belgium and France, countries have replied that they will meet at least 50 per cent of the increases required of them. It is true that these* are countries that cannot shoulder the main burden of defence either in men or production. But they have shown willingness, and that, in the political perhaps more than in the material life of Nato, is a major triumph for all concerned.

Belgium and Canada replied with a brusque but not entirely conclusive No. It was brusque, in Belgium's case at least, more because of the manner than the content of the recommendations. Both countries, indeed, have clearly qualified their rejection of the Wise Men's requests with a rider that they will see what they can do. The implication is that they do not in principle accept the obligation to do more, but that this will not stop them from doing more if they possibly can.

All this is encouraging; but the hard truth remains that the strength of Europe's defence must ultimately depend on three countries—Britain, France and Germany. What Germany can do, is prepared to do and should be allowed to do is a problem on its own, and not yet the concern of Nato. British rearmament is going along as fast as it can, perhaps even a little faster. Whether the Wise Men's attempt to close the gap between military demand and supply succeeds thus depends in the immediate future to a very large extent on France.

France's answer will be simple and sad. It can do only what is asked if there are developments in Indo-China which enable it to bring home some of its soldiers or at least to stop the steady suction of its trained men into the Far East. These developments could only be a truce, or American armed assistance in Indo-China. Dollar aid, which is one way in which the Americans might try to relieve the pressure on France, can be no ultimate solution. For what is wanted from France is primarily troops—15 to 20 divisions in Europe by the end of 1952—not production.

Slashing Material Costs

Whether the Wise Men's scheme as a whole can be followed during 1952 thus depends largely on events outside Europe, and it seems unlikely that anything will have happened to ease the French position before the Council meets in Lisbon on February 16th. This section of the report may therefore have to go in part by default, and the equation of military demand and supply may have to remain for the time being, precariously unbalanced. But the Wise Men did something else which substantially helped to balance a slightly different equation, the equation between military needs and economic possibilities. A large section of their report is concerned with slashing the material cost of a given unit of military strength. General McNarney, the Wise Men's time-and-motion expert, suggested cuts in the nutritional requirements of the various armies and in the scales of equipment; he recommended new methods of calling up reserves, of mobilisation and of training which would economise in manpower and weapons. Above all, he concentrated attention on the need to become as strong as possible in 1952.

If only these parts of the report are endorsed at Lisbon, a great deal will have been done. Greater strength will be possible from a smaller expenditure of money and material. And individual governments are unanimous in support of them. What is more, they are all agreed, whatever they feel about the Wise Men themselves, that a similar exercise—a balancing of the military supply and demand and of the military demand with the economic possibilities—must be done not once but every year. The administrative device of the Wise Men, representatives of Britain, France and America, acting as a high-powered executive for twelve countries, may never reappear. It was an emergency measure. Time, at the end of 1951, was short because so much had been wasted. If the new organisation of Nato works better than the old, this sort of emergency need never recur. If not there will have to be second thoughts. Whatever their shortcomings as a political experiment, the Wise Men have effectively done a job which it took the old Nato two years to fail to do.

*Denmark, Italy, Netherlands and Norway.

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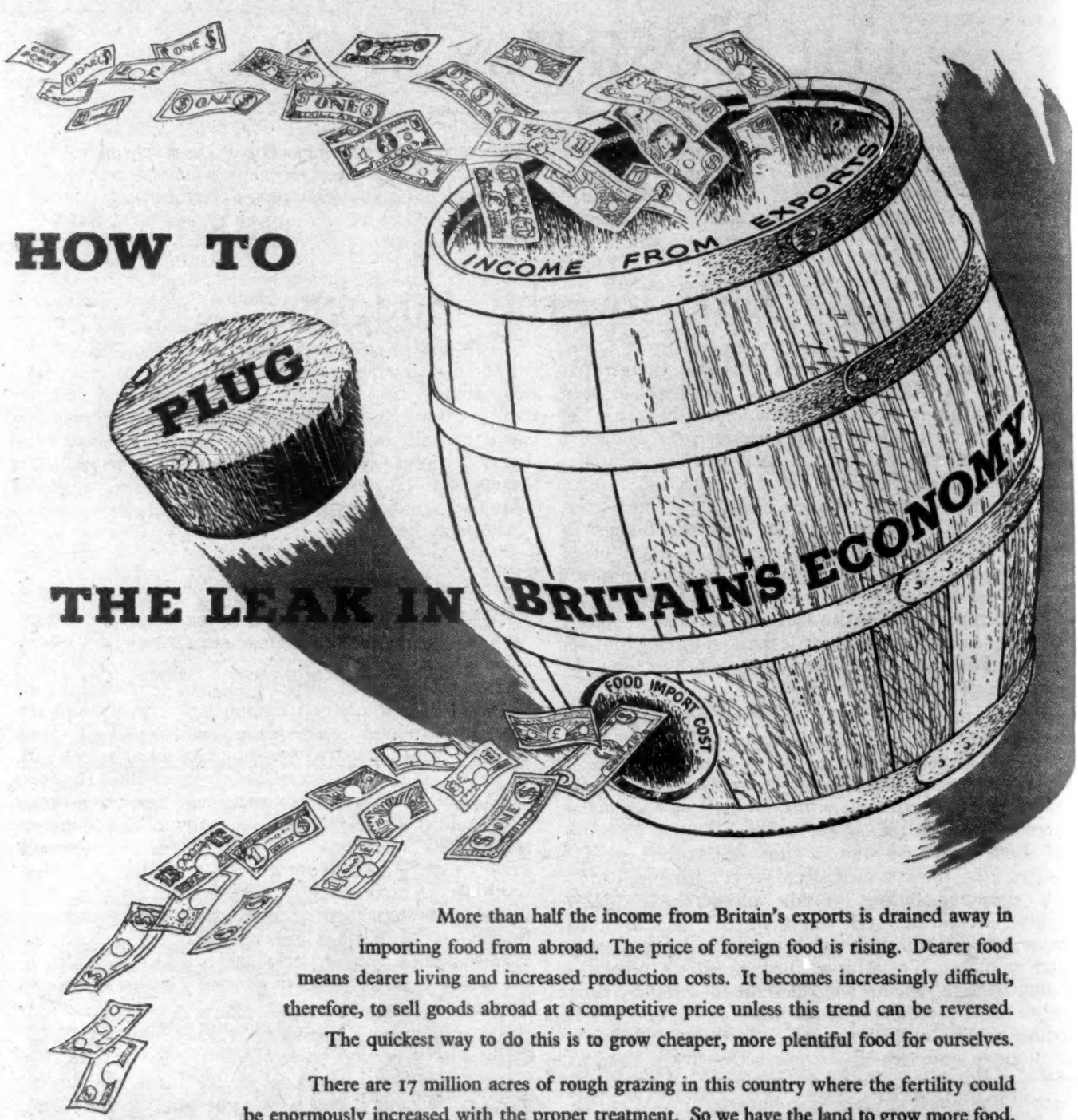

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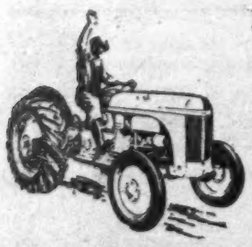

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THE BUSINESS WORLD

The four articles that follow discuss the most important aspects of the Chancellor of the Exchequer's statement last Tuesday. They examine the crucial role that the Budget and monetary policy are left to play; the difficulties and dangers of the cuts proposed in industry's new capital investment; the limited significance of the Chancellor's other measures to reduce public and private expenditure; and the prospects of balanced trade in the second half of this year.

Task for the Budget

BY advancing but not anticipating his budget Mr Butler has done both more and less than had been expected of him in the second instalment of his plan. On the one hand, the decision to introduce the budget a month before the end of the fiscal year, despite the arduous labour and technical difficulties this will involve, strikingly demonstrates both the Chancellor's own sense of urgency and the central part that the budget is intended to play in the whole scheme. On the other hand, if the measures now announced look less impressive and less strong than the grim warnings had led many people to expect, no one can feel sure that the omissions or inadequacies will not be made good in the final instalment. "There is much," Mr Butler said, "I cannot do here and now outside a Budget."

The ultimate objective of the three-part plan is to make and keep sterling strong; the immediate objective, adopted as Britain's share in the programme agreed at the conference of members of the sterling area, is the necessary but extremely difficult one of achieving external balance in the second half of this year. To bring this about within so short a time will require violent changes. In the second half of 1951 Britain's deficit with the non-sterling world amounted to £575 million; in the half-year beginning five months from now it is hoped that this deficit can be reduced to only £100 million. To achieve the immediate objective of total balance, Britain will therefore at the same time have to run a corresponding surplus with the rest of the sterling world; and, if progress is to be made towards the ultimate objective, the whole account will have to show a rising surplus from the beginning of 1953 onwards. The physical plans now envisage a total cut in Britain's external expenditure and an expansion in exports together amounting to £720 million to £770 million in a year. Fully two-thirds of this projected gain is expected to be secured by reductions in imports and other expenditure overseas. To the £350 million of cuts set in motion last November, the Chancellor has added a further £150 million a year—by cuts in imports and in tourism, discussed in detail below. The remaining one third of the gain rests on the assumption that, if £220 million to £270 million of products of the engineering and metal-using industries can be kept from the clutches of the home market, they will be readily sold abroad.

By far the most important of the newly-announced measures are, therefore, those for the restriction of industrial investment, which are expected to release £150 million to £200 million of plant, machinery and vehicles. There is also to be a drastic restriction of industrial and commercial building; but, since the building labour force is to be maintained and the total volume of building is expected to rise, these particular sacrifices by industry will not bring any net relief from inflationary pressure nor will they aid exports (except indirectly, by promoting economy in use of steel). The remaining £70 million is intended to be provided by cuts in the home supply of durable consumers' goods—bicycles, refrigerators, radios and the like.

*

At this penultimate stage in the disclosure of the programme it is still far from clear how the Government proposes to ensure that these large changes do in fact take place or, if they are assured, how it will mop up the large volume of spending power set free in the domestic economy. The additional inflationary stress that has to be countered by new financial measures will, of course, fall well short of the £720 million to £770 million of goods of which the home market may be deprived. If the £150 million to £200 million of investment goods are exported, that fact will of itself virtually imply that home investment of that kind has been reduced correspondingly; there is also likely to be a further substantial reduction in other fixed investment (chiefly on maintenance and repairs); and there may be a substantial fall in privately held stocks. In addition, the Government proposes to run down official stocks to a "reasonable" extent.

To ensure this reduction in private investment the Chancellor is relying upon a combination of measures—the impending withdrawal of the initial allowances, the new monetary policy, a tight and discriminating practice in steel allocation, and "voluntary" agreements with firms in the engineering industries to limit supplies to the home market. Whether these measures do in fact produce a big reduction in investment—and especially in stocks—is perhaps likely to depend principally upon the toughness of monetary policy. But, given such toughness, the saving on gross domestic investment could conceivably bridge some two-thirds of the additional inflationary gap.

The remainder has to be filled by the coming budget, the shape of which is quite uncertain. The inflation of the past year will keep prospective revenue buoyant, but a substantial part of this additional taxation will be paid out of surpluses already accumulated or out of recent wage increases that have still not exerted their full impact; to this extent, the extra revenue will not give any new disinflationary relief. Moreover, most of the new revenue that accrues from the first full year's effect

of last April's tax changes—notably, the ending of the initial allowances and the increase in profits tax—will show its effect in a reduction in investment. This has already been taken into account. It seems, therefore, that a substantial reduction in Government expenditure will be needed merely to bridge the prospective inflationary gap at present rates of taxation. But the general structure of the departmental bill for civil expenditure is now known: the effect of the cuts that Mr Butler outlined and of the new charges for the Health Service will be to keep total civil expenditure at about its present level. Given the rate at which prices and wages have been rising, this is no doubt the "major achievement" that he claimed it to be—it has reduced the proportion of gross national product absorbed by civil outlays from 15 to 13½ per cent. But it means, none the less, that the scope for reducing total expenditure in 1952-53 below its present annual rate is now very narrow; this appears to be limited to any net savings that may be secured by re-casting the subsidies—minus such additional sums as have to be provided for the defence programme at its retarded rate of growth.

These preliminary reflections on the budget, which are perforce founded on very flimsy data, suggest that the Chancellor's third instalment cannot be equal to the vital task now thrust upon it unless a substantial net saving can be wrung from the subsidies. They suggest, too, that a progressive toughening of monetary policy will be indispensable—both to ensure that the investment cuts are at least of the magnitude postulated above and to underwrite the whole disinflationary venture upon which the Chancellor is embarking.

Salvation by not Investing

THE Chancellor's outline of capital investment policy was clearer in its broad statement of the dilemma—defence, exports and home investment are all competing for the output of the engineering industries—than for the detailed steps that are to be taken to bring these competing claims within the limit of what is possible. The "rebalancing" of the defence effort is intended to bring about some reduction of the strain on the metal-using industries; solvency now comes first. The guiding principle—given the prospect that the expansion of output of these industries will be limited by shortage of steel in the first half of this year—is to restrict "certain types of home investment as well as consumption" in order to make greater exports possible.

Mr Butler sought to differentiate from the outset between capital expenditures that involve steel and those that do not. The Government intends to carry out its pledge on housing "which uses comparatively little steel." But it is difficult to detect the economic logic, as distinct from the political expediency, of a policy that holds out the promise of a "considerably greater" volume of building to be carried out this year compared with last. Specific commitments of this kind are bound to impede the best use of the country's resources during the period of pressure. Apart from a general statement that the Government will not "allow" the building labour force to grow beyond its present size, there is no recognition of this principle. The prospective increases in building for defence and the fuel and power industries may be inescapable, but their immunity involves "tight control" on all types of building using steel that are not of "fundamental importance" to the national economy. In fact, some industrial projects that in the long-term would manifestly be of such importance will be delayed or stopped. Past experience shows how easy it is to demote capital investment to a secondary place. But past experience does not encourage great faith in the prompt efficacy of control over building, particularly when control is based on the criterion of a single scarce factor such as steel. Tighter credit policy (which the Chancellor promised to maintain and, as necessary, develop further) is presumably expected to play only a minor part in restraining the demands on the building industry, since its output as a whole is expected to increase. This is one of the weakest features of the Chancellor's proposals for the 1952 investment programme.

If the contribution of the building industry towards external solvency is to be negative, the contribution from plant, machinery and vehicles for civil use at home is expected to be immediate and weighty. The Government's objective is to reduce such deliveries by £150-£200 million, compared with their level in 1950. On the Chancellor's estimate, this will mean a cut of one-sixth from the level of supplies in that year. It is necessary to distinguish carefully between what this proposes in principle, and the ways in which such cuts may work out in practice. According to the National Income White Paper for 1950, total capital expenditure on plant and vehicles amounted to £880 million at prices then current. The fuel and power industries, which are to be spared cuts as far as possible, spent nearly £140 million on plant and machinery and an unstated, though presumably small, amount on vehicles. Public service vehicles, road goods vehicles, railway rolling stock and ships and aircraft together accounted for £240 million. Thus plant and machinery (including passenger cars but excluding other vehicles) for industry and other services accounted for £500 million, of which manufacturing industry spent £283 million, and the conglomerate class labelled "other" spent £120 million. These last residual figures illustrate the severity of the cuts in plant and machinery that are now intended to fall on essential investment at home. If they work, they will provide relief in the short run, but only at the expense of industrial efficiency in the long run.

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The instrumentalities by which the cuts are to be secured are diverse in character. The withdrawal of the initial allowances and stricter credit policy will clearly help. To the extent that building control prevents or delays certain classes of industrial building, the demand for plant will also be affected—though at a remove. There will be discrimination in allocating steel to encourage exports. But apart from this, the Government relies on appeals to industry to limit its demands for plant; it expects the engineering industries themselves to push exports; and it will discuss with particular industries the "appropriate division" between exports and home supplies. All this smacks of past export drives—with the single qualification that on this occasion credit policy may be used to give point to exhortation. The motor industry is the only one that has so far been given

set limits for home supplies—60,000 cars and the same number of commercial vehicles are to be sold at home, compared with "over 110,000" (perhaps as many as 117,000) cars and 100,000 commercial vehicles sold at home last year. It is worth recalling that last year's home quota of cars was 80,000; in past years there has been a persistent tendency for home deliveries to exceed the set quota. The exception was 1950, a boom year for car exports. The important question for the motor industry is not whether it can keep within the home quota that has now been set, but whether it can sell all the output of which it is capable, given the shortage of steel, in overseas markets that are now feeling the draught of competition. If the home quotas are fulfilled and no more, the motor industry may contribute £40 million or more towards the total cuts in plant machinery and vehicles that the Chancellor intends to impose on home market supplies. Clearly, much is expected of the industry; equally clearly, if overseas markets become tough, the question will arise whether present levels of output should be maintained. Mr Butler hinted that in "exceptional cases," supplies of certain manufactures might be prohibited beyond a certain level, "so that resources can be transferred to other products that can be sold overseas."

These are evidently tentative exercises towards balancing the overseas account; to translate them into real achievement will be difficult. It will, indeed, be impossible unless the Chancellor's wishes and the crude instruments of control that he intends to use are fortified by more rigorous action in credit policy. Any preconceptions about maintaining the level of employment in one industry, or maintaining the level of output of another for political rather than economic reasons, are bound to impede the changes in efforts of British industry and in the flow of British commerce that are necessary to secure solvency in this country's account with the rest of the world.

Clippers without the Axe

THE sections of Mr Butler's speech that dealt with his programme for securing cuts in current expenditure —public and private—were necessarily punctuated by patches of eloquent silence. Here, even more than elsewhere, March 4th throws its shadow before. The imminence of the budget precluded, naturally enough, any discussion of how private purchasing power may be cut down by higher taxes; there was also no mention, anywhere in the speech, of food and rent subsidies.

The Civil Estimates.—The Chancellor did, however, announce some of his decisions on the pruning of the civil estimates. He intends to hold these estimates to about their 1951-52 level. Since prices and wages have increased by 10 per cent in the year, this decision involves a "real" reduction; but the approach is still that of the nibble, not of the large bite.

The biggest cuts have necessarily been made in the fastest growing items. Expenditure on the National Health Service is again to be kept within a ceiling of £400 million, and this will necessitate passing on some £20 million a year in direct charges to the patients, £12 million from imposition of the 1s. charge for prescriptions, which Sir Stafford Cripps proposed and legislated for in 1949, but which Mr Bevan out-manœuvred on the ground that it was "administratively difficult," and another £7½ million from the imposition of a charge of £1 (or the full cost if less) for most dental treatment except dentures, which are already partially charged. In this, and the remaining £500,000 of health service economies, Mr Butler has taken a page from the book that Mr Gaitskell opened last year. He has done as much as—though no no more than—would have been done by any Labour Chancellor who did not feel Mr Bevan's hot breath down his neck.

Outside health and education—where the approach has been most circumspect—the Government aims to save £5 million by reducing the number of civil servants by 10,000 in the next six months; it will press forward with further reductions later. Government information services at home and overseas will suffer a relatively heavy cut, though the absolute saving is little over £1 million. These cuts, Mr Butler declared, were in addition to "economies we are achieving in every branch of the public service just by patient attention to detail."

Hire Purchase.—The one measure directly restraining private consumption that was announced in Mr Butler's speech was the Board of Trade's new order on hire purchase terms. The object of this order is to limit the demand for metal and engineering products, the supply of which is to be cut down—probably to two-thirds of last year's level—by metal allocations and controls. From February 1st, hire purchase and credit sale agreements on a wide range of such goods must provide for a minimum initial deposit of 33⅓ per cent and a maximum repayment period of 18 months; the goods affected include radio and television sets, cars, office furniture, water heaters, lawn mowers and what the Americans call "major appliances" such as refrigerators, vacuum cleaners and washing machines. As a special case, hire purchase agreements on bicycles will have to provide for an initial deposit of not less than 25 per cent and a maturity of not more than one year. It is difficult to estimate how far consumer demand will be curtailed by this order; there are no adequate statistics of consumer credit in this country, and nobody knows how far its undoubted recent growth would have been cut back, in any case, by the general credit restrictions imposed last November. It will be noted, too, that the new order does not affect one of the largest fields in the instalment system—domestic furniture, where three-quarters of all sales are believed to be financed in this way. Rather strangely, electric and gas cookers are also excluded from the new order.

*

On the other hand, the terms laid down are fairly severe. For cars, they are the same as under Regulation W in the United States; for "major appliances" (where Regulation W demands only a 15 per cent initial deposit), they are stricter. The only hire purchase order in force in this country before this week provided for a minimum down payment of 12½ per cent, a maximum maturity of two years and a maximum service charge in interest payment of 20 per cent; it applies, however, to only a limited range of goods, and was part of the price control —not of the credit regulation—system.

Purchase Tax.—The object of cutting public and private expenditure is to free resources for rearmament or export industries. It is important, however, that the

measures taken to set resources free should not at the same time reduce the incentives towards greater exports. There is good evidence that purchase tax, by making it impossible for textile and other consumer goods industries to experiment on the home market, has defeated part of its own purpose in this way. Some months ago Mr Gaitskell appointed a committee under the chairmanship of Sir William Douglas to inquire into the connection between utility schemes and purchase tax; its terms of reference laid down that tax revenue from industries with utility schemes must not be reduced. The report of this committee has already been handed to the Government — it will be made public on February 24th — and Mr Butler announced that Government proposals arising from it will shortly be laid before the House. Under the present scheme any article that falls slightly outside the utility range becomes liable to the full rate of purchase tax, and is thus often made virtually unsaleable on the home market; the Board of Trade tried to mitigate this difficulty last year by widening the range of textiles and clothing that could be sold as utility goods, but this must have led to a sharp fall in the yield of purchase tax. The obvious solution here would seem to be a series of gradations in the tax scale, instead of rendering all non-utility goods liable to tax in one jump.

Tourist Allowance.—In one field the conventional process of nibbling may conceivably have gone too far. The tourist allowance, which was cut from £100 to £50 in November, is reduced again. In the year to November, 1952, British citizens will be allowed to spend only £25 each abroad. This means that the only legitimate British holidaymakers in Europe this summer will be week-end trippers or those willing to risk financial embarrassment. This step has been taken despite the recommendation of the Organisation for European Economic Co-operation of a minimum tourist allowance of £35 a year and in flat contradiction of Britain's pledges in the Uniscan agreement (to which "adjustments" are being made). The measure is being accompanied by a reduction of £15 for children and also for the car allowance for motorists and to £5 in the amount of sterling notes that may be taken out of the country. Inevitably, this unhappy expedient will spread ill-will and embarrassment across the Continent. The allowances should be raised as soon as possible. Meanwhile, there will be a saving of £12½ million a year.

Tobacco.—Mr Butler's decision to save £22 million in dollars on imports of tobacco represents a heavy cut in the present rate of import of American and Canadian tobacco, but "by a careful re-arrangement of our proposals about stocks, and other methods," he hopes to carry this out without causing any great shortage in the shops. Last year, out of .otal tobacco imports of 355.6 million lb., valued at £81.5 million, 212.1 million lb. costing £51.6 million came from the United States and 21.7 million lb., costing £4,500,000, from Canada. This cut, therefore, will reduce dollar imports of tobacco by about two-fifths and total imports by about a quarter. American tobacco is bought at sales during the autumn, so that this year's supplies have presumably already been purchased; the cuts will therefore fall largely upon purchases at next season's sales. In the American auctions that closed last month, British manufacturers spent some $147 million, and another $19 million in Canada; next season the buyers will have little more than $100 million to spend.

In terms of consumption, the reductions in imports represent nearly six months' smoking in Britain. But the level of stocks should enable the manufacturers to cushion its effect to a considerable extent. At the end of October stocks stood at 444.6 million lb., the largest since the war, and 38 million lb. larger than in October, 1950. Stocks generally rise during the last quarter of the year, so that the present level may be in the region of 460 million lb., or more than two years' consumption—though it must be remembered that for maturing purposes well over a year's consumption is usually considered essential by the trade. The manufacturers are planning, therefore, to maintain production at roughly the present rate by drawing upon stocks, and at the same time to increase their purchases in sterling markets such as Southern Rhodesia. Technically, the "other methods" that the Chancellor mentioned might include slight reductions in the size of cigarettes, so far as existing machinery allows. But more probably he was thinking of fiscal measures. Of personal expenditure on tobacco—some £800 million a year—less than £60 million represents the cost of retained imports; the Chancellor emphasised that less than 7 per cent of the price of a cigarette goes for imports and less than 5 per cent for dollar imports. The great bulk of that £800 million represents tax, and siphons off inflationary pressure. "Any human Chancellor," said Mr Butler, "must take this into account."

Petrol.—Inevitably, restrictions on the use of petrol had been the subject of conjecture before the Chancellor's statement; but Mr Butler made a good case for rejecting any return to rationing. Last year cars and motor-cycles probably used some 2.2 million tons of motor spirit, against 1.5 million tons in 1949, the last full year of petrol rationing; but since that time registrations have increased by about 10 per cent, so that rationing on the same scale would save only about half a million tons of petrol a year, worth some £8 million. Since rationing would take some time to re-introduce, Mr Butler estimated that only £4 million could in fact have been saved by its return this year. Against this he set the administrative cost—some 2,500 officials and nearly £1.5 million—and came to the inescapable conclusion "the whole thing is not worth while." Cutting crude petroleum imports, moreover, would seriously affect the increase in output of the British oil refineries, which by the end of the year may be supplying 90 per cent of the motor spirit consumed here.

Mr Butler said that "a good deal less than half of the consumption of motor spirit is by private motorists, and not very much of this is used for pleasure motoring." One recent estimate, based upon a survey at filling stations, suggested that more than 80 per cent of the petrol used by passenger cars in the year is for business purposes. This has an obvious bearing upon any budgetary measures; it means that an increase in tax would be likely to cut consumption only over a limited proportion of the nation's motoring, while over the remainder it would swell industrial costs.

Films.—The Anglo-American agreement that laid down the amount of money earned by American films that can be remitted to their producers in dollars was renewed last August, and it runs until September this year. Mr Butler could not, therefore, take any action to reduce the dollar cost of American films without abrogating the agreement; but he gave the American producers notice that he would "use the time till then

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to consider the economies which may well have to be made in the future." He put the total dollar cost of films at £9 million, or $25.2 million; the agreement allows direct remittances of $17 million, and certain additional remittances proportional to the films' earnings under the current "Eady" levy on exhibition and the American producers' expenditure on British films. It may be, therefore, that the American producers are taking out, or spending here and in Europe, most of the proceeds that their films earn. This would offer some margin for reducing dollar remittances, which might stimulate film production here by both British and American producers. Here, too, the Chancellor has revenue to consider; the most probable result of showing more films made in Britain on the screens, unfortunately, might be fewer patrons in the cinema, and less tax to the Exchequer.

Can Trade be Balanced?

THE cuts in the import programme for 1952 that the Chancellor announced will reduce it by a further £150 million over and above the reductions totalling £350 million announced in November. This second operation cuts nearer the bone, and much of the saving will be achieved by using some of the strategic reserves of materials to keep industry going instead of increasing imports. Mr Butler would not say "for well recognised reasons" how the £150 million will be saved. Some £22 million will be saved on tobacco. The planned imports of coal from the United States will be reduced, since stocks are better than was expected, though only £2½ million will be saved here. No cuts will be made in imports of coarse grain, put by Mr Butler at 5,500,000 tons, and only minor cuts will be made in the Ministry of Food's purchases of non-rationed food and in imports of manufactured goods; both of these groups came under the axe in November.

The Chancellor proposes that the British payments account shall be brought into balance in the second half of this year. Compared with the outturn for the second half of last year, this will involve an improvement of £475 million on non-sterling account and an improvement of £250 million on sterling account; the expectation is that the non-sterling deficit of £100 million that will then remain will be offset by a sterling surplus of the same amount. In this formidable task, dollar aid for defence will help; some £100 million will be paid over in due course. The import cuts should in time count at an annual rate of £500 million and if home supplies of capital goods are cut as the Chancellor intends, exports of these items might perhaps expand by £150 million. As a broad guide, overall balance might be achieved if exports and re-exports in the second half of this year run level with the rate for 1951 as a whole. Can British industry maintain its past performance? The metal and engineering industries accounted for 47 per cent of total exports, and they are cast to play as important a role as they did in 1951.

In the Chancellor's words, "it is absolutely vital that the output of these industries should be increased," but in the first half of the year, at least, the limiting factor will be steel. Already a number of factories have been forced to adopt a shorter working week. It would be prudent to expect, therefore, that during the first half of the year production will be materially reduced in a number of the industries using steel. Though steel supplies should be generally more plentiful by the middle of the year rearmament production may be taking more steel and effort by then, despite exercises in "re-balancing." The "original" steel shortage was set at 1½ million tons of finished steel, or some 14-15 per cent of current steel consumption. Erring somewhat on the side of prudence, it might on that assumption be necessary to reckon with a fall in the total civilian output of these industries during 1952 of some 5 to 10 per cent, in assessing their potential contributions to the export drive. The restrictions in supplies to the home market that Mr Butler has announced makes possible some estimate of the goods that these industries might then make available for export—which is not, of course, the same thing as selling them.

The most important exporting industry in the group is the motor industry. Last year, the motor industry produced some 480,000 cars and exported 370,000, leaving about 110,000 for the home market compared with the limit imposed by the previous government of 80,000. If output this year were to fall by 10 per cent to 430,000 and if the industry keeps to the new limit of 60,000 for the home market imposed by the Chancellor last Tuesday, 370,000 cars would still be available for export. The production of commercial vehicles reached 258,000 in 1951, of which 162,000 were exported, the remaining 96,000 going to the home market. This year the Chancellor intends that only 60,000 are to be sold at home so that at least the same number could be exported even if production should decline by 10 per cent to 232,000 because of the steel shortage or because the factories have to make military vehicles. The motor cycle industry could maintain its volume of exports even if production fell by 15 per cent, and bicycles could keep at their 1951 level if production fell by 10 per cent. For domestic refrigerators and washing machines, exports could also be maintained if production fell 10 per cent, while for vacuum cleaners,

SUPPLIES FOR EXPORT AND HOME MARKET
(Monthly Averages)

Item and Unit	1950				1951*			
	Production	Export	Home Market	Export as Percentage of Production	Production	Exports	Home Market	Exports as Percentage of Production
Motor cars (number)	43,543	34,126	9,417	78	39,686	30,846	8,840	78
Commercial vehicles (number)	21,763	13,736	8,027	63	21,493	13,513	7,980	62
Motor cycles (number)	14,270	6,870	7,400	48	14,120	7,720	6,400	55
Bicycles (thousands)	294	182	112	62	337	232	105	69
Domestic refrigerators (£'000)	990	545	445	55	1,263	777	486	62
Radio sets (thousands)	150	31	119	21	178	48	130	27
Washing machines ('000)	45	19	26	42	57	33	24	58
Elect. vacuum cleaners ('000)	88	24	64	27	99	36	63	36
Metal furniture (£mn.)	1·2	0·3	0·9	25	1·3	0·3	1·0	23
Machine tools (£ mn.)	3·2	1·2	2·0	38	3·8	1·3	2·5	34
Textile machinery (£ mn.)	5·9	3·1	2·8	53	6·1	3·0	3·1	49
Agric. machinery† (£ mn.)	7·1	3·6	3·5	51	8·8	4·7	4·1	53
Steam turbo-alternators ('000 kw.)	219·9	83·0	136·9	38	171·2	90·0	81·2	53

* Partly estimated from different periods of 1951, according to item.
† Includes tractors.

radio sets, and metal furniture production would have to fall by 20-30 per cent before the volume of exports need be affected. The volume of machine tool exports could be maintained if production were to fall by 10 per cent, while the volume of textile machinery exports could be maintained if production were to fall by 5 per cent.

These very rough and ready calculations suggest that if the output of the engineering industry does not fall by more than 10 per cent in 1952, exports might be maintained at last year's volume by virtue of the cuts that Mr Butler intends for the home market. The prospect of a balanced payments account would then be good. Much depends on steel supplies and even more depends on the terms of trade. The sharp deterioration in the first half of 1951 has subsided, and in December the terms of trade were no worse than in December, 1950. If this improvement in relative export prices were to continue this year, the chances of a balanced-payments account would be appreciably brighter. Equally, any deterioration in the terms of trade would make the country's tasks even more formidable.

Business Notes

Economic Aid Again

After a year of trying to do without direct economic aid, Britain has had to fall back on American generosity again. It was announced in Washington last week that President Truman has allocated $300 million from the current fiscal year's mutual security funds as "interim" economic assistance to this country. Hitherto Britain has received a share of the $4,819 million that Congress voted for overseas military aid in the year to June 30th next, but not of the $1,022 million that it voted for economic aid. The military assistance that this country has received has frankly proved of little economic significance. This aid comes across the Atlantic in the form of equipment, not of dollars—and the Americans have quite rightly shipped equipment that could not be made in this country, instead of equipment that is being made by resources that Britain would like to divert to the export drive. The various figures that have been mentioned as the value of military aid received to date have simply been additions of rather notional price labels (presumably based on replacement cost) attached to arms shipped from American stocks. The whole of the original $1,022 million of economic aid, which is paid out on the Marshall Aid formula of direct dollar reimbursement for eligible items on the import programme, was earmarked for other countries at a time when it appeared that Britain could paddle its own canoe. When it became apparent in November that Britain could not paddle that canoe—not, at any rate, without jettisoning a very large part of a rearmament programme that is already greater than that of all other European Nato countries put together—Mr Butler had to appeal to America for reassessment. He also pointed out that the fact that Britain is running its rearmament programme at more than full stretch means that it is not able to benefit, as much as some European countries can do, from producing quasi-military equipment and goods for PX stores for sale to the US defence department against dollars.

The Mutual Security Act provided that the President could switch 10 per cent of the military aid vote to economic aid. It is this provision that has been used to secure the new $300 million. The President has, however, to justify the switch to a congressional committee, and it is for this reason that certain conditions have been attached to the allocation. The most important of these is that the imports that will be eligible for dollar reimbursement must be "defence-like" materials. This category includes such things as military equipment not eligible for military aid, metals (including steel), sulphur and oil for the services. It remains to be seen how soon $300 million of goods in this category will be imported, and thus how soon the dollars will reach London. It is greatly to be hoped that some shipments recently made (and certainly contracts recently placed) will be eligible for this reimbursement; if not, Britain will again suffer from having set off to a more determined and earlier start on its defence programme than its European partners. Even if the reimbursement provisions are drawn up sensibly in this way, it seems likely that some of the dollars now allocated will reach this country after June 30th.

* * *

Conjuring with the Counterpart

Another provision attached to the new allocation is that the sterling counterpart must be spent on the defence effort. Thus starts a new chapter in a four-year comedy of errors. There is, of course, no such thing as a spendable "sterling counterpart" to dollar aid of this sort; the fact that the country is living so far beyond its means that it has to go on the dole, does not mean that the Government can legitimately sell that dollar dole for sterling, and then use the sterling for living beyond its means still further. The fiction of a "counterpart fund" has had only one justification since 1948; it has helped France and other continental countries that had some economic case for financing their recovery by a budget deficit and were impeded by constitutional difficulties in their effort to do so. In Britain, however, the counterpart fund was never more than a technical accounting device; Britain put this counterpart into the "Treasury special account" on the liabilities side of the Bank of England's balance sheet, wrote in an equivalent holding of interest free notes on the assets side, and then crossed out both figures at intervals so that no harm was done. This process was called "using the counterpart for retirement of debt."

In the early days of Marshall Aid there seemed to be a danger that Congress might protest that the counterpart fund was being used as a device for enabling certain continental countries to add to their internal inflations. In fact, however, the tone of criticism—through a strange series of misunderstandings—swung all the other way. Complaints began to be uttered that while the virile continentals were using American funds twice over to expand production, the slothful British were letting half their money waste away. This explains the new provision that the "counterpart" to the present aid must be used to finance the defence programme. Presumably, therefore, this "counterpart" will now be paid into the special account as before—where, incidentally, it will join the counterpart to the residual flow of Marshall funds and the so-called "Katz-Gaitskell" money (the ECA's reimbursement to Britain of British gold lost to EPU as a result of European drawings on pre-1950 sterling balances). In due course this "money" will be drawn out of the special account as an appropriation-in-aid of the service votes in the next budget. Part of the tax revenue that would have been set against the service votes will then have to be added to the ordinary budget surplus and used to retire the "debt" that the inflow of "funds" into the special account will have created in the first place. The point that will have to be emphasised at home, of course, is that the sudden emergence of this new appropriation-in-aid

into the budget accounts does not mean that tax revenue can be smaller ; spending power has still got to be cut down to match available supply, and neither is affected by this conjured-up " counterpart."

* * *

Fall in Bank Advances—

The first signs of the impact of the new monetary policy upon bank advances have been revealed in two statements published by the clearing banks this week. The combined statement of their year-end position (which is always delayed by the publication of the several balance sheets) appeared only two days before the statement for the January make-up (January 16th). Taken together, these two statements showed that over the whole period of eight weeks bank advances actually showed a net fall of £14 million, whereas in the similar period of 1950-51 they rose by £30 million and in 1949-50 by £52 million. This heartening contrast doubtless owes something to the substantial new issues that have lately been made, principally for the funding of bank advances ; and there is no doubt at all that a large part of it is explained by the fact that special influences were forcing advances strongly upwards in the two earlier periods—at this time last year, it will be recalled, the first big impact of the commodity boom was being felt. Even so, it is evident that a contributory factor has been the new pressure upon the banks to exercise a more effective restraint upon borrowers than they have done in the past. The effects of this restraint should become more and more apparent in the coming months, though it is still far from certain whether it will be strong enough to prevent aggregate advances from rising further under the pressure of demand from credit-worthy borrowers in the " essential " categories.

It certainly cannot yet be assumed, therefore, that the threat of pressure by the banks upon the gilt-edged market is receding ; for if the authorities contrive to keep a taut rein on the banks' liquid assets, the banks may feel that they must provide the funds to meet any net rise in their advances by selling investments.

* * *

—And Sales of Investments

The latest figures seem to confirm the market's impression that perceptible sales of investments by the banks have taken place already. In November, as already noted in these columns, the banks' investments rose by a good deal less than the amount of their participation in the new funding stock ; in the six weeks to end-December, their balance-sheet valuation of investments dropped by £67 million; and in the first fortnight of January it dropped by a further £11 million —bringing the decline over the whole period to fully £100 million, or about 6¾ per cent. of the portfolio as it stood before the funding operation. This is certainly an appreciably bigger sum than is likely to be accounted for by writing-down ; the portion represented by sales must have been substantial. In this context, it is interesting to observe that, of the December reduction of £67 million, over £25 million was attributable to the National Provincial Bank—although that bank has the smallest investment portfolio of any of the Big Five banks. The biggest movement in the first fortnight of January was shown by the Westminster Bank (a decline of £6¾ million), which has the second smallest portfolio.

If it could be assumed both that advances will not continue to rise and that the authorities will not tighten the screw, the liquidity threat to the banks would now look rather less menacing than was envisaged some weeks ago. A striking feature of the past two months is that the Government, despite the continuance of the heavy deficit on the balance of payments, has been a substantial net borrower from the banking system, whereas in the similar period of last year it was making repayments—thus reversing the relationship between the two periods that obtained a few months ago. These borrowings, which partly reflect the rise in defence expenditure and partly arise from the fact that in December the " departments " provided £60 million for the Transport Commission, have naturally increased the supply of bills to the banking system, and this supply has been further augmented by the substitution of bills for maturing Treasury deposit receipts. This enlargement of liquid assets, combined with the reduction in advances and investments, has had the effect of raising the liquidity ratio from 32.0 per cent in November to 33.2 per cent in December and 33.7 per cent at mid-January.

* * *

Ironfounders and the Steel Federation

As might have been expected, the ironfounding industry has at length reacted to the steel industry's contention that over-production of iron castings last year was the reason why the steelmakers did not quite reach their output target of 16 million ingot tons. A public argument between industries is unusual and not particularly edifying ; and it may be surmised that the steel industry, which began arguing its case some weeks ago, had more in mind than seeking to excuse a quite marginal failure to live up to a forecast made last spring. During the past year the British Iron and Steel Federation must have had enough experience of planners not to become too thin-skinned when one of its own forecasts is out by roughly two per cent.

The federation's case, in detail, is that while steel production fell last year 360,000 tons below its estimate, the output of the iron foundries rose by some 260,000 tons of finished castings, or roughly 360,000 tons of metal poured. Both industries take pig iron and scrap—and therefore

> if iron foundry production had remained at the 1950 level, as was assumed in putting the steel industry's calculations for 1951 before the Ministry of Supply, steel production could have been almost exactly on the 16 million-ton mark, notwithstanding the fact that the scrap drive has so far met with only partial success.

The federation argues that use of steel in metal goods offers great economies in iron and steel-making materials, since the thickness and hence the weight of an article fabricated in sheet steel need be only a half or a third of an iron casting serving the same purpose. It concludes therefore that by means of some substitution of fabricated steel for castings in metal products, iron foundry output should be limited to the 1950 level—some 3½ million tons—until steel output could at least be restored to the 1950 figure of roughly 16¾ million tons. The period envisaged would presumably stretch beyond 1952 ; for this year the steel industry is not expecting to produce more than 16 million tons.

* * *

Castings or Sheet Steel?

The ironfounders' reply is, first, that the steel industry's assumptions about iron foundry output when it put its own calculations for 1951 before the Ministry of Supply have nothing to do with them. Whatever assumptions may have been made in various quarters about foundry output in 1951, no specific limit was laid down by the Ministry, which licences the industry's supplies of materials. At the end of 1950 the foundries had pig iron stocks amounting to roughly eight weeks' supply ; at that time, the Ministry of Supply asked them to reduce these stocks to three weeks' supply, and restricted current deliveries of materials accordingly. Working to some extent on stocks, the foundries did produce at the rate of 3¾ million tons a year during the first half of 1951. In July the Ministry further reduced

the quantities of materials for the third quarter by some 10 per cent, and in October it reduced the foundries' supplies of coke by 12½ per cent. The effect of these measures takes some time to show in output; but it does appear that by the fourth quarter of the year the rate of output from the foundries was slackening.

The balance of national, as against commercial, advantage may be held to vary with the extremity of steel shortage. Against the man-hours, and cost, of melting an ingot of pig iron, pouring a casting, and the light machining that requires, have to be counted the cost of turning that iron into steel, rolling it to a given shape, and fabricating the steel into a product or component; and in normal competition the consumer will make his choice on grounds of cost and technical advantage. On some of the wide range of products in which substitution has been advocated, the steel used instead would need enamelling or perhaps metal spraying; and the iron-founders question whether sufficient capacity—in forges and presses for stamping and refractory muffles for enamelling—exist in the country. On the comparative properties of steel and cast iron, the experts could no doubt argue endlessly; but most consumers would probably consider cast iron at any rate far more durable.

There may well be a range of products in which some marginal substitution of cast iron by steel could take place, though not all of them at present take a large tonnage of castings. But it would appear that the restriction of output towards roughly the 1950 level, which the BISF is now advocating, may already have been in train through the normal licensing of raw materials by the Ministry before the federation launched its arguments. It seems doubtful whether any closer control of the foundries would be practicable even if it were needed; there are about 2,000 of them, many on a scale approximating to that of the village blacksmith, and at the other end of the scale some of the largest units are "captive foundries" owned by large iron—and steel—consumers.

* * *

South African Gold for Britain?

One of the first indications of a subject that must have been discussed at the recent Commonwealth Finance Ministers' Conference was given in a statement by the South African Finance Minister this week. At the moment all essential imports into South Africa are paid for in gold, but South African importers are allowed to buy these goods from whatever is the cheapest source of supply. Mr Havenga explained that under the GATT agreement South Africa has accepted certain limitations on its freedom to discriminate in favour of the United Kingdom; in addition, Mr Havenga is unwilling to compel importers to buy from the sterling area goods that they might obtain at a lower cost from the dollar area. He suggested, however, that the Union might be able to draw down its present gold reserve of approximately £67 million without overstepping the danger line. The implication is, presumably, that South Africa is considering either another gold loan to Britain, or a direct sale of gold against sterling. There have also been suggestions that the Union might provide some incentives to greater production by the gold mines, possibly by changes in the present tax formula; these rumours have led to a rise in Kaffirs on the London and Johannesburg stock markets this week.

* * *

Anglo-Japanese Payments

Reports from Tokio suggest that the Japanese Government is to make proposals for a conference to revise the payments agreement with the United Kingdom. This agreement, signed last August, made provision for special consultations between the parties if Japan's holdings of sterling at any time reached an excessive amount. Unofficial but reliable indications suggested at the time that the Japanese Government would regard £70 million as a reasonable upper limit to its sterling holdings at seasonal peaks and about £40 million as the maximum average working balance maintained over the year as a whole. The sterling area's deficit with Japan has been a by no means inconsiderable part of the total deficit that the sterling area has been running during the past year; in consequence, Japanese holdings of sterling have recently tended to exceed the ceiling envisaged at the time the agreement was negotiated. The basic provision of the agreement, that no convertibility or gold clause should be attached to the Japanese accumulation of sterling, naturally still stands; but the time has evidently arrived when consultations should be held between the two parties. There has been considerable public discussion of the situation in Japan and, so far, it is in this discussion rather than in official exchanges between the two governments that the proposal for a new conference has taken shape.

Recently, however, the issue has crystallised in the course of negotiations between Britain and Japan for purchases of Japanese steel: the amount in question appears to be some 700,000 tons, costing possibly some £5 million. The Japanese authorities have urged that nothing less than gold or dollar payments would be accepted for this scarce commodity. The Anglo-Japanese payments agreement gives Japan the right to use its sterling to pay for imports from transferable account countries. Japan has not been included in this group of transferable account countries, but the administrative transferability that has been conceded to Japan is interpreted liberally; no real barriers are put in the way of current payments to or from transferable account countries. An interesting illustration of this administrative transferability may soon be provided if Japan accepts the very tempting offers that have been made by Soviet Russia to sell coal to Japan against payment in sterling. Soviet Russia is in the sterling transferable account area, so that Japan would be entitled to transfer sterling to Russian account in payment for deliveries of coal. This is one way in which Japan's accumulation of sterling might be reduced; but such a solution of this particular problem is hardly likely, in all the circumstances, to commend itself to Washington.

* * *

Rising Building Costs

The extra 1½d. an hour granted to the building workers last week is the equivalent of a wage increase of 11s. a week, and will cost the building industry between £25 million and £30 million a year. It has been estimated that this will add £25 to £30 to the price of a council house, and perhaps 6d. a week to its rent. The 4s. 6d. a ton increase in the price of cement has less serious consequences on house building costs; on the assumption that an average of ten tons of cement is used for each house and for the services attached to it, the new price means an addition of only £2 5s. But on large civil engineering projects such as airports, hydro-electric schemes or atomic energy plants, a 2 per cent rise in the price of cement will involve an appreciable increase in costs.

The steady rise in the price of materials and labour has more than offset any economies that the builders themselves may have achieved by improving their efficiency. The 1951 report of the National Federation of Building Trades Employers estimated that during the first ten months of the year the general level of material prices had risen by 20 per cent. The price of bricks and roofing and floor tiles had risen by 12 and 11 per cent respectively. This increase, and possibly half of the 28 per cent increase in cement prices, was due to increased transport costs. Cement prices were also affected by higher coal prices, by the high capital costs of some of the new plants that came into operation during the year, and by the surcharge imposed on home produced

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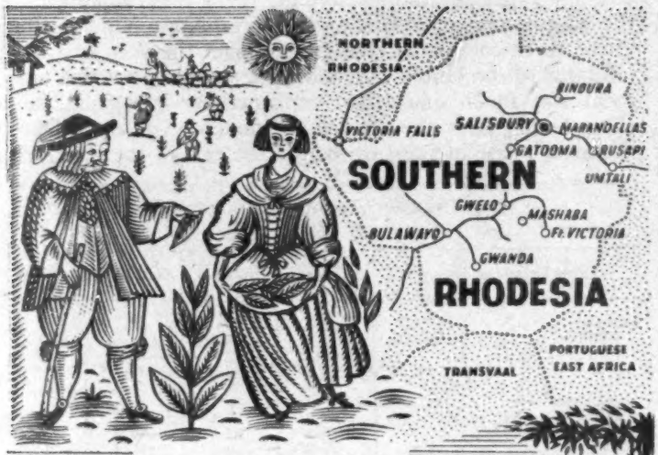

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cement in order to offset the higher prices of imported cement. In December the cement industry was paying an average of more than £7 a ton for imported cement and selling it at the ruling British prices which, with the new increase, are the equivalent of £4 19s. 9d. a ton in the London area. Softwood prices have risen 62 per cent, but may decline in the future. There have been big increases in the prices of metal goods ; 24 per cent for steel, 25 per cent for copper sheets and tubes, 62 per cent for lead and 45 per cent for plumbers' brasswork.

Increased efficiency on the site has partly offset these increased prices, and building costs during the same ten months did not rise by more than 15 per cent. There are signs that the building industry has taken to heart the severe criticisms of earlier years ; two big factors contributing to an increase in output on the site have been the introduction of bonus schemes and more careful pre-planning of the work itself. Under today's conditions there are limits to any further improvements in this direction, and shortage of building materials makes accurate planning of work schedules almost impossible. But it should not be necessary to leave the whole responsibility for combating rising material costs to the contractor on the site. Modern building research has shown many ways in which construction costs can be reduced and, what is equally important, ways of conserving scarce materials. But many more architects could apply the results of this research work in their plans.

* * *

Rubber for Dollars

Following the agreement reached in Washington to sell to the United States 20,000 tons of tin at 118 cents a lb the British government has this week agreed to sell 25,000 tons of rubber from its stock at the current American buying price. Mr Butler disclosed on Tuesday that this deal will provide Britain with "well over" £8 million in dollars, from which it can be calculated that the American buying price must be around 44 cents a lb, equivalent to 3s. 2d., compared with the London spot price of 3s. 4½d. a lb on Wednesday. It is not known whether the American price is the landed cost in New York or based on the London or Singapore markets. But at least the difference between 3s. 4½d. and 3s. 2d. is of small significance given the fact that Britain's dollar needs are urgent, and that the United States has agreed not to reduce its buying programme by an equivalent amount.

In 1951, some 35,000 tons of rubber were added to British reserves ; before the sale took place, total stocks in government hands were of the order of 85-95,000 tons. Last year the United States put into stock some 295,000 tons of natural rubber, bringing the stockpile up to about 810,000 tons. It may be remarked that the United States has not sought to buy this additional quantity on the open market ; evidently rubber at 6s. a lb a year ago still rankles.

* * *

Discount Houses' Year

Before the change in monetary policy, there had been much discussion in Lombard Street about the shock that would be felt there if Bank rate were raised. In the event, the increase was less than some people had expected ; and the accounts of the "Big Three" discount houses show that the shock has been absorbed, if not painlessly, at least without causing undue disturbance. The largest of the three, the Union Discount Company, has, indeed, reported a small increase in profits ; and this company, like Alexanders, has met the whole of the depreciation on its bond portfolio from current profits. All three companies have maintained their dividends. This satisfactory performance reflects the good earnings experience of the market earlier in the year and the prudent reduction that it had been making both in the size and especially the average life of its bond holdings. As the accompanying table shows, the combined bond portfolio of the three companies rose slightly over the year as a whole (and that of the Union Discount rose sharply), but this movement was much more than explained by a large intake of short bonds after the change in monetary policy. During the main phase of pressure before the end of the year, when banks and others were selling short bonds for liquidity reasons, the discount market—or, at all events, its bigger units—was performing its function of providing a jobbing cushion to take the shock.

"Big Three" Discount Houses 1949–51
(£ Million)

At December 31st:	Union	National	Alexanders	Total
Bills :—				
1949	212·1	109·1	78·0	399·2
1950	216·8	132·7	83·5	433·0
1951	150·7	102·9	88·7	342·3
Investments :—				
1949	62·8	60·4	50·0	173·2
1950	87·2	63·9	60·0	211·1
1951	99·0	55·9	59·3	214·2
Loans and deposits :—				
1949	271·2	166·7	125·7	563·6
1950	300·1	194·0	140·7	634·8
1951	247·9	155·3	144·9	548·1
Net profits :—	£'000's	£'000's	£'000's	£'000's
1949	310·8	286·5	150·4	747·7
1950	327·0	301·5	165·1	793·6
1951	331·5	300·3	146·6	778·4

The change in policy, of course, caused loss to the market on its bill portfolio as well as on its bonds, since bills bought before November 7th had thereafter to be financed or resold at the higher rates. A more important consideration for the longer run is that the higher level of rates has increased the market's margin between bill rates and money costs, while the new flexibility in the system provides greater opportunities for the earning of profits by the exercise of skill and judgment. Current revenues are, therefore, giving the market a chance to restore a cushion of revenue against the risk of loss from any further sudden advance in rates. The greater risks that now have to be run are, however, likely to lead the market, on the whole, to keep smaller portfolios than in the past. The Treasury bill portfolio has, of course, already been sharply reduced in consequence of the decline in issues that followed the funding operation, although business in commercial bills has continued to expand.

* * *

Laurels at Monte Carlo

British victories at the Monte Carlo rally this week are the latest of a series of successful postwar trials that have done much to publicise British cars in countries where a few years ago they were quite unknown. Word-of-mouth recommendation plays a big part in car sales and the greatest difficulty faced by the British motor industry in building from scratch into the world's biggest exporter of cars was that many of its products were hardly known abroad. This is the first Monte Carlo rally for some years to be held in weather that the experts considered was bad enough to provide a real test of cars and drivers, and British cars took five out of the first six places in a total entry of 369.

None of the winning cars has, or is ever likely to have, big sales either at home or abroad. The Allard that took first place is a specialists' car of the kind in which British engineers excel. The Sunbeam-Talbot is a car of only 2,226 cc as against the Allard's 3,993 cc, which makes its victory in an open class the more impressive. But this, again, is a car for which there is a strictly limited market, chiefly because it has a smaller seating capacity than is usual in a car of its price. The fourth and sixth places were taken by Jaguars, the fifth by a Jowett and the eleventh by an Austin

A.90. Like many British cars today, these are too high-powered and expensive for the mass market for small cars; too low-powered and small for the mass market for big cars. The Jaguar does, however, represent an attempt to provide a high-powered (3,442 cc) car that is not at the same time a luxury car and it appears to be meeting with success abroad, especially in the United States.

Although the prestige of the motor industry as a whole gains from successes of this kind, there is a division of opinion among the big British manufacturers as to its direct advertising value for the winning cars. Austin and Rootes are the two most energetic supporters of open competition for production cars, and both would agree that their successful entries have been one of the cheapest and most effective forms of advertising yet devised. On the other hand, the last British winner of a Monte Carlo rally was an Invicta in 1931. In spite of its triumph then, the car is no longer in production.

* * *

Short Time at Home

Shortage of materials has put 1,300 workers in the Morris factories on a four-day week and led to the dismissal of 800 men in the Humber works. A large number of men have been on sporadic short-time working in this second factory for some time; and even after the dismissals, short-time work will continue for many that remain. There is a good deal of under-employment in most car factories, and uncertainty about future supplies of materials is making it difficult for managements to know whether to dismiss men now, or keep them on in the hope of improvement later in the year.

Provisional estimates put last year's car production at 475,000, and during the coming months there may not be sufficient steel available to maintain output at more than 80 per cent of this total. This suggests that the first quarters' production this year might total only about 95,000 cars as against a quarterly average of 119,000 last year. But the steel allocations for the two months February-March have been drawn up under great pressure, and those for the second quarter will also show signs of hasty preparation. There are great difficulties in allocating different types of steel to manufacturers who combine them in different proportions in each different model that they make. The Ministry of Supply is also bound to take the cautious view to avoid any danger of giving manufacturers allocations that their suppliers cannot honour; in consequence the motor industry may acquire in practice rather more steel than appears available on paper. During recent months, some manufacturers have also managed to maintain their current rate of production by arranging to import their own sheet steel, but now that all types of steel, and not merely sheet, are scarce, it may become more difficult to maintain output by such strategems. Any improvement in supplies is dependent on the arrival of American steel; but this is unlikely to be distributed before the middle of the summer. The motor industry is unfortunate in having to face so uncertain a period at home at a time when the development of sales resistance abroad demands its managements' undivided attention.

* * *

Steel Company of Wales

The large increase in trading profits earned by the Steel Company of Wales last year will presumably have resulted largely from operations at the works taken over from its founder companies; the directors state that it also reflected the coming into operation of the company's vast new plant at Margam. The trading profit for the year ended September 29th amounted to £3,967,400, nearly £1,600,000 more than the previous year; since the Margam works was running for some weeks before it was formally opened in the summer, its early operations appear to have made some contribution. The company also earned "substantial profits" in the export markets, while a very large contribution came from the appreciation of stock values—£600,000 compared with £50,000 in the previous year.

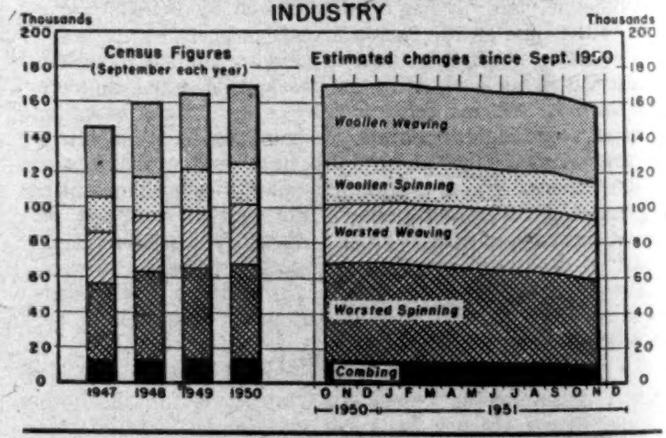
During the year the company spent another £16 million on its development scheme for the new plants, bringing the total expenditure to £57,028,922; by the end of the year the board had sanctioned a total of approximately £68 million on the scheme, and it expects that the remaining plant will commence operating during the current financial year. The tinplate mill, at Trostre, is now also in the early stages of operation. Of the amount expended this year £7,800,000 has been received in loans from the nationalised Iron and Steel Corporation; of the loans that were made available by the Finance Corporation for Industry, £28,200,000 had been received before the date of nationalisation. The company in the year under review made provisions for loan charges totalling £1,118,885 and for depreciation of £1,264,403 (on existing plant taken over from founder companies and on such sections of the new plants as had been brought into operation by the end of the year; these covered about half of the development scheme). The eventual charges upon the new plants will presumably be heavy in comparison with those of other plants turning out similar products; but that is inevitable in such development during a period of rapidly rising prices for capital equipment.

* * *

Employment in Yorkshire

Activity in the wool industry showed a further fall in November, and another 2,611 workers left the industry. In January, 1951, it was employing nearly 171,000 workers; during the following eleven months it lost 12,600 of them. The workers are leaving the mills because there is no work for them, but the movement has now reached a point where it is beginning to worry employers. Losses on the present scale may make it impossible to expand output again when trade does improve. Moreover, the loss of labour is not evenly distributed throughout the industry.

PRODUCTION WORKERS IN THE WOOL TEXTILE INDUSTRY



Although the weaving sections have lost large numbers of workers, they have probably not lost more than three per cent of their total labour force. In actual figures the loss of workers in the combing sections is not much greater than from woollen or worsted weaving, but employment in these sections is much smaller, and there the decline represents a drop of 20 per cent over the eleven months from January, 1951, to November. Some members of the industry believe that it may by now be considerably higher. A fall of 20 per cent in combing labour could mean a drop of 20 per cent in the output of this section, with a corresponding reduction in

the output of worsted yarn and so on right through the industry. Because the wool "pipeline" is so long, it might take as much as nine months for a shortage of this kind to become apparent; so that if trade revived immediately, there is every chance that the improvement would be checked in the autumn by a shortage of yarn.

The figures of wool tops production show how this situation has arisen. Output fell from 23.4 million pounds in January, 1951, to 14.3 million in November, while output in the weaving sections fell only from 37 million to 29.9 million square yards during the same period. The consumption of raw wool fell from 39.7 to 26.8 million pounds a month. It is clear that a revival in Yorkshire rests far more in the hands of the wool merchants than it does with the retailers.

* * *

Specialised Ships for Ore

Provisional details have now been announced of the six ore ships that are to be built for Ore Carriers, Limited, a company formed last year by Houlder Bros. and the British Iron and Steel Corporation. These are the first six ore carriers, designed as such, in which the British steel industry will have a direct financial interest; they represent a development in the industry's transport resources that was perhaps overdue. They were designed by William Gray, Limited, the West Hartlepool shipbuilders, drawing upon their own experience and upon data supplied by the British Iron and Steel Research Association, which is still studying the requirements of iron ore tonnage. These six are of 8,000 tons capacity and 9,000 tons deadweight, bulk carriers without any specialised unloading equipment, since all the ore handling equipment will be shore based. Their tonnage was settled with an eye on Port Talbot, where they will frequently be delivering ore; but BISRA, which has made a survey of the major ports—15 overseas and 10 in Britain—where ore is most frequently loaded and delivered, considers that larger carriers, up to perhaps 15,000 tons, might well be operated elsewhere.

The only particular feature of the ship's holds is the slight "hoppering" of its holds, by means of sloped bulkheads that facilitate the run of ore towards the grabs. Specialised ore handling equipment is already a feature of many of the coastal schemes under the steel industry's development plan. It has been estimated by BISRA that a third of the time an ore carrier spends in port "turnround" is in awaiting a berth, a third in clearing four-fifths of the ore carried in its holds with the mechanical grabs, and the final third in clearing the last fifth of its ore cargo—often by hand. Considerable efforts are being made to cut down the time taken in "trimming" this final residue of ore, and BISRA believes it may be brought down to less than a fifth of a reduced turnround period. But partial ownership of the tonnage in question, as against the chartering of tonnage owned by other shipowners, might obviously offer the steel industry an alternative; the final residue of the ore, to unload which so much time and labour has to be spent, might be left in the bottom of the hold.

* * *

Even Bigger Tankers

The increasing size of oil tankers has advanced a further stage with the placing of contracts for two single-screw vessels of 44,000 tons deadweight with Vickers-Armstrongs, Ltd., Barrow. They have been ordered by Mr Stavros S. Niarchos for the North American Shipping and Trading Company (London), Ltd., which has several tankers of up to 32,500 d.w. under construction, for charter to the Shell group. The largest tankers so far in service are of about 28,000 tons, but about a year ago the British Tanker Company started the movement by ordering a series of vessels capable of carrying 32,000 tons. Since then tankers of 38,000 tons have been ordered in Japan, and tankers of 40,000 tons in Germany, by American interests.

The new 44,000-tonners will be powered by geared steam turbines designed to develop a maximum of about 20,000 shaft horsepower, giving a service speed of 17 knots. This in itself marks an achievement in marine engineering, as this will be the highest power yet applied to the shaft of any single-screw ship. The increased speed, it is claimed, will contribute to greater security in the event of war and also to improved economy in normal trading. Each ship will have a deadweight capacity more than one-third greater than any other tanker now in service, and the two ships together will be capable of transporting a greater tonnage of petroleum than that carried by ten typical prewar tankers. Their range of ports will be limited, since they will draw about 36 feet of water, but they can, for a start, operate between Kuwait, Rotterdam and the Thames. Repair problems will also arise, since the dry docks that can take vessels 757 feet long, with a breadth of 97 feet, are few and far between.

* * *

Steel and Industrialisation

Steel consumption per head in Britain is only about half as high as in the United States, but twice that in France and five times that in Italy. These figures—which have obviously a considerable bearing upon the degree of industrialisation of different countries—are published by the British Iron and Steel Federation in its current statistical bulletin. Its table of "apparent consumption"—arrived at by dividing the home output of crude steel for each country, less exports and plus imports, by its population—shows that the United States has not only by far the greatest steel consumption, but that its consumption, which doubled beween 1937-38 and 1950, has increased at a faster rate than anywhere else. Only Canada, where steel consumption per head now almost equals British, increased nearly as fast as did the United States. The table (in which a few figures are not directly comparable) makes no allowance for "indirect exports" of steel in vehicles, machinery and other steel goods from nations such as Britain and the United States to less industrialised areas. The figure for Germany—which for 1950 includes only West Germany—was the greatest in the world in 1938; it is now presumably rising once more.

APPARENT CONSUMPTION OF STEEL PER HEAD OF POPULATION
(In Ingot lb Per Head)

	1937	1938	Average 1937 and 1938	1950
USA	826	456	641	1,237
UK	550	436	493	628
Canada	410	281	346	614
Sweden	558	406	482	567
Australia	401	455	428	540
Belgium-Luxemburg	437	268	353	501
Germany	537	654	596	469
Netherlands	376	290	333	370
France*	326	252	289	332
USSR†	232	235	234	309
Italy	118	127	123	137
India (including Pakistan)	8	7	7	11

Source: British Iron and Steel Federation.
* France and the Saar in 1950. † Owing to lack of trade statistics for 1938 and 1950 crude steel production has been assumed to equal consumption for all three years. The addition of net imports of steel in 1937 would raise consumption per head by only one lb.

* * *

Investment and Manpower

Mr Butler's decision to cut investment on plant, machinery and vehicles compared with 1950 lends particular

interest to an estimate of investment within manufacturing industry recently published by the Board of Trade. These show that during 1950 manufacturing industry in Britain as a whole spent about £496 million on capital investment, compared with £383 million in 1948 and £423 million in 1949. Plant and machinery accounted for some £337 million of the 1950 total, new buildings and works about £116 million, and vehicles, new and secondhand, £43 million. These figures, it should be noted, exclude the nationalised industries, Royal Ordnance factories, Service departments' establishments and "agency" factories owned by the Government even within manufacturing industry. Figures of capital expenditure, and of capital expenditure per worker (which exclude certain estimates included in the total above), calculated from a sample of 3,948 industrial establishments, are given in the table.

CAPITAL EXPENDITURE IN MANUFACTURING INDUSTRY IN GREAT BRITAIN

Industries	No. of Establishments	Estimated Capital Expenditure (£ Million)		Estd. Capital Expenditure per Employee, 1950
		1949	1950	
Bricks, pottery, glass, cement	2,398	16·9	17·6	64
Mineral oil refining	9	18·0	32·1	3,320
Other chemicals and allied trades	2,149	43·9	56·1	161
Iron and steel manufacture	1,200	42·2	48·9	118
Non-ferrous metals manufacture	467	8·3	8·5	88
Shipbuilding and marine engineering	787	5·3	5·6	25
Other engineering	7,630	49·3	53·4	40
Vehicles	3,873	23·8	30·9	49
Other metal goods	4,935	16·4	19·4	44
Precision instruments, etc.	1,360	5·9	4·3	34
Textiles	6,109	45·0	46·8	53
Leather goods and fur	1,068	2·2	2·6	41
Clothing	6,147	7·6	7·3	16
Food and drink	6,420	42·0	50·9	89
Tobacco	80	2·9	2·5	59
Wood and cork manufactures	4,443	7·0	9·5	41
Paper and printing	4,270	20·6	23·0	55
Other manufactures	1,780	10·9	10·6	53
Total	**55,125**	**368·2**	**430·0**	**63**

Source: *Board of Trade Journal.*

The figures of total investment show the chemical industry and allied trades as spending the largest amount, £56.1 million, followed by certain of the engineering industries, lumped together, spending £53.4 million, and the food and drink industry, spending £50.9 million.

* * *

Rumania's Currency Reform

Rumania is the latest of the Soviet satellite countries to be put through the penalising rigour of a monetary purge. The currency reform announced last weekend involves the calling in of all money in circulation against the re-issue of new notes. Reports from Bucharest, which are far from detailed, state that this currency exchange will reduce the volume of money in circulation by two-thirds. This suggests that the new currency and credit will on the average be issued for the old in the ratio of one to three. This, however, is an almost meaningless average since the currency and credit exchange is being affected in the highly discriminatory manner common to such operations in Soviet countries. The measure is directed against the farmers, because they have hoarded currency, and they are to receive no more than one new leu for every 200 held. Other categories get less penal rates—the scale of conversion varying not only with the amount of currency and credit involved in each holding, but also with the class to which the holder belongs. The new leu has been given a specific gold parity of 0.079346 grammes of fine gold, but is to be pegged to the Soviet rouble at 2.80 lei for one rouble, so that the rate for other currencies is to be established by reference to the rouble peg. The rouble bloc is clearly taking shape.

NEW AIR SUBSCRIPTION RATES

Owing to the increased cost of air freight, new air subscription rates to *The Economist* for the countries listed below will unfortunately have to be introduced from January 1st, 1952.

Australia	£6 15s. 0d. (sterling)
Canada	$22.30 or £7 14s. 0d.
Hong Kong	£6 10s. 0d.
India, Pakistan, Ceylon ...	£6 0s. 0d.
Malaya	£6 5s. 0d.
South Africa	£5 10s. 0d.
U.S.A.	$21.50 or £7 14s. 0d.

Rates to all other destinations remain unchanged.

Shorter Notes

Weekly wage rates during 1951 rose 10½ per cent, which was more than in any year since the Ministry of Labour's index began to be published in 1947. The total increase during the year amounted to £6,546,700 a week, the largest single increase being that secured by the engineering workers. But retail prices, as measured by the interim index, rose even more sharply—by 12 per cent. Compared with June, 1947, wages were 26 per cent higher by the end of last year, and prices 30 per cent higher.

*

Provisional estimates suggest that although British European Airways carried considerably more traffic last year than in 1951, the corporation's deficit is likely to increase by about one-third to £1,270,000 for the calendar year, against £952,500 in 1950. Revenue increased by 21.8 per cent, from £8,651,000 to £10,510,000, but operating costs rose from 43.9 to 47 pence per ton mile. Inability to bring new aircraft into service as planned has cost about £540,000 during the year and BEA has been competing for traffic against airlines having more modern aircraft. Labour troubles during the summer's peak traffic period caused a loss of £150,000, and delays in the conversion of other aircraft have all combined with rising costs to check BEA's steady progress out of the red. This year, when the new aircraft should at last be in service, ought to bring its rewards.

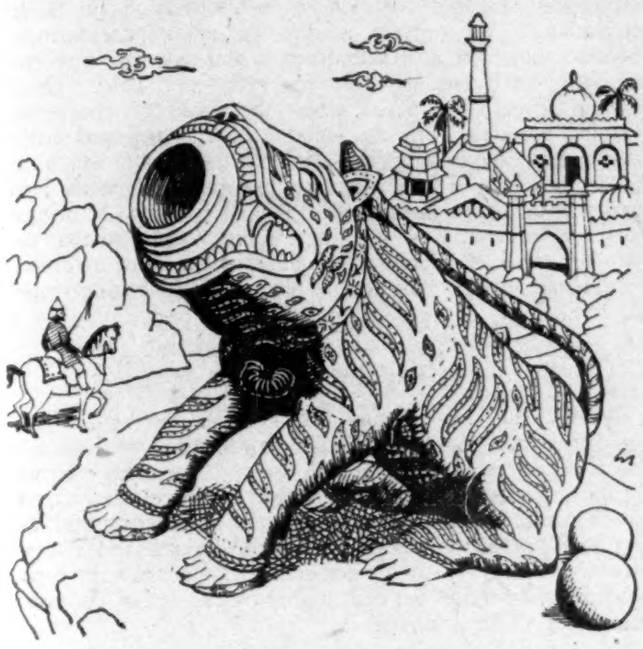
*

Responsibility for opencast coal production is to be transferred from the Ministry of Fuel and Power, under which it has been operated since it began during the war, to the National Coal Board. The step is logical; it was not taken before mainly because the opencast operations were expected to come to an end within a few years. In the present fuel stringency, such a happy ending appears less certain. The National Coal Board, which was saddled with such unpleasant responsibilities as the import of American coal, has until now managed to avoid this additional one, having sufficient unpopularity of its own. In earlier years, moreover, opencast production was carried on at a considerable loss. In the last year, however, it may approximately have paid its way; which may have made the Coal Board less chary.

*

In the note "Spending on Transport" in *The Economist* of January 26th, reference was made to an allowance of £80 million for upkeep of roads and street lighting in certain calculations of expenditure on roads and road transport made by Mr E. Rudd of the Road Research Board. It should be noted that this item was not taken into account in the table published with the note—"Users' Expenditure on Road Transport," which included the cost of licence duties and fuel tax.

COPPER



NEXT to iron, copper is the most useful metal in the world today. Millions of miles of copper wire and cable carry the electricity that drives motors and transmits messages from one end of the earth to the other. It is made into fireboxes for railway engines and, alloyed with zinc or nickel, into condenser tubes for steam generators in power houses and ships. Alloyed with zinc, copper forms brass, which has a thousand uses from curtain rails to cartridge cases. Alloyed with tin, copper becomes bronze, the alloy that makes springs, statues and heavy duty bearings. Copper was the first metal used by primitive man as he emerged from the Stone Age. When the Romans came to Britain, copper was already being widely used in the form of bronze. Mining and smelting were being carried out in Cumberland, Anglesey and North Wales. Today most of the world's copper ore is mined in Africa and the Americas.

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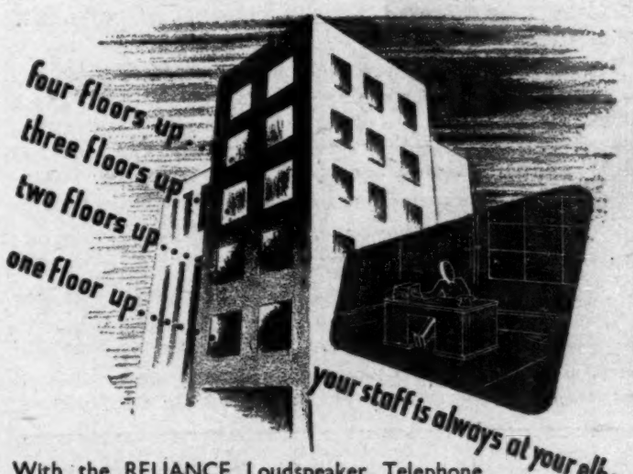

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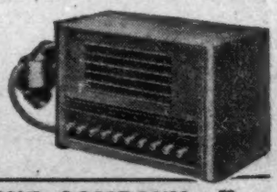

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THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

The Rt. Hon. LORD KENNET OF THE DENE, P.C., G.B.E., D.S.O. (Chairman).
DAVID JOHN ROBARTS (Deputy Chairman).
ERIC O. FAULKNER, M.B.E. The Hon. GEOFFREY C. GIBBS, C.M.G.
Sir ARCHIBALD JAMIESON, K.B.E. J. IVAN SPENS, O.B.E.

STATEMENT OF ACCOUNTS AT 31st DECEMBER, 1951.

Liabilities.

	£	£
CAPITAL:		
Stock (in £1 Units): Authorised		7,500,000
Issued		5,133,333
Share Premium Account	380,667	
Reserve	2,186,000	
		2,566,667
Profit and Loss Account: Balance as below		934,921
		8,634,921
Loans (Secured on Assets of the Company)	238,228,005	
Deposits, other Liabilities and Reserve for Contingencies	9,551,611	
Deposits By Subsidiaries	100,107	
		247,879,723
Proposed Final Dividend, less Income Tax		134,750
		£256,649,394
CURRENT ASSETS:		
Cash at Bankers and in Hand		4,531,159
Bills Discounted (less rebate)		150,720,014
Securities:—		
Quoted:—British Government, British Corporation, Public Board, Dominion and Colonial Government and Corporation		98,502,850
Unquoted:—British Corporation, Public Board Mortgages and Public Board		519,507
Loans on Securities, and amounts receivable		2,175,757
		256,449,287
FIXED ASSETS:		
Shares in Subsidiaries—At Cost		100,107
The net assets of Subsidiaries at 31st December, 1951, are represented by Deposits with the Company (per contra).		
Freehold Premises, including Furniture and Fittings, at Cost, less amounts written off		100,000
		£256,649,394

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BAY HALL TRUST LIMITED.

Summary of Directors' Report for the year ended 31st December, 1951, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT

The gross revenue amounted to **£170,881** compared with **£157,714** in 1950. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses amounting to **£93,446** the net profit is **£77,435.** Adding **£140,946** brought forward, the total available for appropriation is **£218,381** and a dividend of **6½** per cent., free of tax, is recommended which will absorb **£65,897.** It is further recommended that **£10,420** be appropriated for writing down the book value of certain investments, leaving **£142,064** to be carried forward.

At market prices on 31st December, 1951 (or where no market price existed at valuations by the Directors at that date amounting to **£358,673**), the Share and Debenture Holdings and British and Foreign Government Securities had an aggregate value of **£2,948,433,** as compared with their book value of **£2,232,419.**

CHAIRMAN'S STATEMENT

The net profit of **£77,435** compares with **£70,636** for 1950, an increase of **£6,799.** Full provision has been made in the Profit and Loss Account for Income Tax and Profits Tax in respect of all income to 31st December, 1951. Double taxation relief allowable to the Company, amounting to **3s. 0d.** in the **£,** has been taken into account in arriving at this provision. At the end of 1951, the value of the investments showed an indicated appreciation of **£716,014** over book cost. Over **91** per cent. of the investments, including British Government Securities, taken at the valuations at 31st December last, are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About **86** per cent. of the investments are in Ordinary stocks and shares and the balance in fixed-interest-bearing securities.

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1951.

LIABILITIES	£	£
Authorised Capital, 1,300,000 Shares of £2 each	2,600,000	
Issued Capital:—		
100,000 £2 6% Cumulative Preference Shares, fully paid	200,000	
1,200,000 £2 Ordinary Shares, £1 paid (*Reserve Liability*, £1,200,000)	1,200,000	1,400,000
Share Premium Account	1,733,750	
General Reserve	466,250	
		2,200,000
Profit and Loss Account		482,000
		4,082,000
Loans, Deposits, Sundry Creditors and Contingency Reserve (including liabilities of £142,976,672 secured on certain assets per contra)		144,921,025
Final Dividends (*less* Tax) recommended		66,150

Notes:—
1. There is a Contingent liability in respect of Bills Re-discounted, excluding Treasury Bills, of £12,058,127 (1950—£7,336,904).
2. Taxation recoverable to date has been included in these accounts.

£149,069,175

ASSETS	£
Balances at Bankers and Cash in Hand	455,475
Bills Discounted (*less* Provision for Rebate)	88,719,407
British Government Securities (Quoted)	58,653,098
Corporation Securities (Quoted)	626,963
Loans on Security and Amounts Receivable	614,232
	£149,069,175

24, LOMBARD STREET, LONDON, E.C.3.

Company Notes

Tate and Lyle.—Last year's increase in sugar imports and exports suggested that a further expansion in Tate and Lyle's sales would be recorded. In fact, the company's turnover rose by nearly 18 per cent from £84 million to £99 million for the year to September 30th. Trading profits advanced by 22 per cent from £3,052,558 to £3,723,868, an increase that suggests that profit margins were well maintained. After £935,540, against £856,345, has been provided for depreciation, the prosperity sharing scheme, etc., and £1,828,011, against £1,227,901, set aside for taxation, net profits show a slight fall from £968,312 to £960,317, a result that has prompted the directors to leave the full year's ordinary distribution unchanged at 20 per cent.

The increase in Tate and Lyle's turnover has brought considerable benefits to Silvertown Services, in the form of a jump in group trading profits from £571,875 to £967,895. Under the threat of nationalisation, Tate and Lyle hived off Silvertown Services as a separate entity to take care of the company's transport requirements. When the company was hived off in November,

Earnings :—	Years ended Sept. 29, 1950	Sept. 30, 1951
	£	£
Trading profit	3,052,558	3,723,868
Taxation	1,227,901	1,828,011
Earnings for ordinary stock	*907,414*	*921,278*
Ordinary dividends	557,500	551,250
Ordinary dividends (per cent)	20	20
General reserve	594,000	350,000
Added to carry forward	*Dr. 244,086*	20,028

15s. ordinary stock at 53s. xd. yields £5 13s. per cent.

1949, Tate and Lyle's equity shareholders received one 1s. ordinary share in Silvertown Services for every £4 of ordinary stock they owned in Tate and Lyle; the company seems in fact to be something less than a subsidiary, something more than an associated company. The new company's net profits after tax have risen from £258,048 to £378,371 and a dividend of 87½ per cent has been declared on the ordinary capital of £175,000, as increased by the one for three bonus issue last November, which compares with a dividend of 100 per cent paid in 1949-50 on the original capital of £131,250. At the current price of 13s. 3d. xd. the 1s. ordinary shares yield £6 12s. per cent.

*

Stanhope Steamship.—Recent rumours that a reconstruction scheme was imminent touched off a speculative demand for the 5s. ordinary stock units of Stanhope Steamship. The whirl of speculation was stilled when the details of the scheme were published at the beginning of January. This announcement has robbed the accounts for the year to September 30th of much of their interest for shareholders, except as an accounting for the past. It must, however, be recorded that trading profits jumped from £482,411 to £1,160,587—one more indication of the recent prosperity of the tramp shipping lines. An interim ordinary dividend of 15 per cent was paid last July, but in view of the reconstruction proposals no further dividend is to be declared for the year to September 30th. In the last few months, eight of the older and less economical ships in the company's fleet have been sold and negotiations for the sale of another three ships have been started. These sales will leave the company with a large cash surplus which the directors propose to distribute to equity shareholders. The present company is to be placed in voluntary liquidation and a new concern—of the same name—is to be formed, to which the remaining eight ships, of 88,779 tons dead weight, will be transferred. These eight ships include two newly built motor vessels of 10,250 tons each delivered last October. Presumably these ships are included in the estimate of £350,000 as capital expenditure outstanding on September 30th. The new company will have a capital of 1,600,000 £1 ordinary shares which will be distributed on a one-for-one basis to the 5s. ordinary stock holders, who will also receive about 29s. on each 5s. stock unit from the cash surplus. On the directors' estimate that "the proper consideration to be paid for the ships and business to be acquired by the new company is £3 million," each of the new £1 ordinary shares will be backed by a asset value of 37s. 6d.

In its first year of trading, the new concern is expected to earn a gross profit of £1 million, so that after a reasonable allowance for depreciation and taxation net profits

Earnings :—	Years to Sept. 30, 1950	1951
	£	£
Trading profit	482,411	1,160,587
Depreciation	245,000	285,000
Taxation	45,180	398,237
Ordinary dividends	55,000	31,500
Added to carry forward	553	204,014
Ordinary dividends (per cent)	*25*	*15*
Balance sheet :—		
Fixed assets, *less* depreciation*	2,316,432	2,412,055
Total current assets	499,523	812,596
Cash	292,630	441,588
Capital reserves	1,073,883	1,087,201
Ordinary capital	400,000	400,000

* Ships at cost, *less* depreciation, including payments on account of new tonnage.

should amount to some £250,000; the directors expect to be able to pay an ordinary dividend of 7½ per cent for the year. Shareholders might well appreciate fuller information about the basis of these estimates and to what extent charter arrangements have been made. The current price of the 5s. ordinary shares is 50s. 6d. If 29s. is distributed on each 5s. share—the actual amount will depend upon the proceeds of trading up to the date of liquidation and of the sale of the three ships—investors will in effect be paying 21s. 6d. for each new £1 ordinary share, to yield on a projected 7½ per cent dividend, nearly 7 per cent.

*

Patons and Baldwins.—Ample warning to shareholders in Patons and Baldwins that losses on stocks could be expected following the fall in wool prices was contained in the chairman's review of the financial year ended April 28, 1951. Mr Wright then emphasised that the value of stocks at £13,992,606 was arrived at "after writing off £557,290 to reduce to market values at April 28th and a further £417,115 to write UK wool and tops stocks down to market values at June 11th." Confirmation of the fear that the fall in wool prices since June would bring about further stock losses is now given in the company's interim dividend statement. The directors consider that the heavy stock losses that have been incurred can be met out of a contingencies reserve of £2,800,000, "which has been built up in recent years for this and other contingencies." The directors make it clear that a trading surplus has been earned since April 28th; but the interim dividend is reduced from 5 to 4 per cent. Trading profits could not be expected to run at the 1950-51 level, when, as the chairman pointed out, earnings were inflated by inventory profits when stocks, previously purchased at lower prices, were sold in a rising market.

The dividend statement, however, concludes somewhat cryptically that "the payment of an interim ordinary dividend at the rate of 4 per cent must not be taken as any indication of the total ordinary distribution for the year ending May 3, 1952." The £1 ordinary shares were marked down 2s. 6d. to 51s. 3d., to yield, on the basis of last year's final dividend of 15 per cent and the latest interim of 4 per cent, £7 8s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to Jan. 30 High	Low	British Funds and Guaranteed Stocks	Price, Jan. 23, 1952	Price, Jan. 30, 1952	Gross Yield, Jan. 30, 1952 £ s. d.	
100½	99½	War Bonds 2½% Mar. 1, 1951-53	100⅛	100⅛	1 17 10	*a*
					2 3 7	*l*
100⅛	99⅛	War Bonds 2½% Mar. 1, 1952-54	100⅛	100⅛	2 6 6	*a*
					2 9 0	*l*
99⅞	99⅛	Exch. Stk. 2½% Feb. 15, 1955	99⅛	99⅛	2 7 2	
100⅛	99⅛	Serial Fundg. 1½% Nov. 14, 1952	100⅛	100⅛	1 11 8	
100⅛	99⅛	Serial Fundg. 1½% Nov. 14, 1953	100	100	1 15 0	
99¾	98⅛	Serial Fundg. 1½% Nov. 14, 1954	99	99	2 2 5	
99⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	99⅛	99⅛	2 14 2	*a*
					2 12 4	*l*
100⅛	98⅛	Funding 2½% June 15, 1952-57	100	100	3 14 4	*a*
					2 18 5	*l*
100	99⅛	Nat. Defence 3% July 15, 1954-58	99⅛	99⅛	3 2 3	*a*
					3 6 11	*l*
100⅛	100	War Loan 3% Oct. 15, 1955-59	100⅛	100⅛	3 1 10	*a*
					3 0 11	*l*
91⅛	90⅛	Savings Bonds 3% Aug. 15, 1955-65	91⅛*	91⅛*	5 14 3	*a*
					3 16 6	*l*
93⅞	92⅛	Funding 2½% Apr. 15, 1956-61	93⅛	93⅛	4 6 9	*a*
					3 7 10	*l*
87⅛	86⅛	Funding 3% Apr. 15, 1959-69	87⅛	87⅛	5 6 0	*a*
					4 2 3	*l*
88	87⅛	Funding 3% Aug. 1, 1966-68	87⅛*	87⅛*	4 3 2	*a*
					4 0 11	*l*
99⅛	97⅛	Funding 4% May 1, 1960-90	99	99⅛	4 5 5	*a*
					4 2 0	*l*
87⅛	85⅛	Savings Bonds 3% Sept. 1, 1960-70	85⅛*	85⅛*	5 1 2	*a*
					4 2 0	*l*
85⅛	84⅛	Savings Bds. 2½% May 1, 1964-67	85⅛*	85⅛	4 2 8	*a*
					3 17 2	*l*
101⅛	99⅛	Victory Bonds 4% Sept. 1, 1920-76	99⅛*	100*	3 19 3	*s*
84	82⅛	Savings Bonds 3% Aug. 15, 1965-75	83⅛*	83⅛*	4 13 7	*a*
					4 2 4	*l*
90⅛	89⅛	Consols 4%	89⅛*	89⅛*	4 9 0	*f*
82⅛	80⅛	Conversion 3½%	81⅛	81⅛	4 6 10	*f*
60⅛	58⅛	Treasury Stk. 2½% (after Apr. 1, 1975)	60	60	4 4 6	*f*
71	69⅛	Treasury Stk. 3% (after Apr. 5, 1966)	70⅛	70⅛	4 6 0	*f*
88⅛	87⅛	Treasury Stk. 3½% June 15, 1977-80	88⅛	88⅛	4 5 9	*a*
					4 4 9	*l*
77⅛	76	Redemp. Stk. 3% Oct., 1986-96	77⅛	77⅛	4 6 7	*a*
					4 3 7	*l*
80⅛	79⅛	War Loan 3½%	80⅛	80⅛	4 7 6	*f*
61⅛	60⅛	Consols 2½%	61⅛	61⅛	4 1 9	*f*
85⅛	83⅛	Br. Elect. 3% Gtd. Apr. 1, 1968-73	84⅛	84⅛	4 8 4	*a*
					4 3 3	*l*
84⅛	82⅛	Br. Elect. 3% Gtd. Mar. 15, 1974-77	84	83⅛	4 4 4	*a*
					4 2 4	*l*
90⅛	88⅛	Br. Elect. 3½% Gtd. Nov. 15, 1976-79	90	90	4 4 1	*a*
					4 3 1	*l*
77⅛	76⅛	Br. Tpt. 3% Gtd. July 1, 1978-88	77⅞	77⅛	4 9 11	*a*
					4 4 11	*l*
85⅞	83⅛	Br. Tpt. 3% Gtd. Apr. 1, 1968-73	84⅛	84⅛	4 8 4	*a*
					4 3 3	*l*
77⅛	76	Br. Gas Gtd. 3% May 1, 1990-95	77	76⅛	4 5 6	*a*
					4 4 1	*l*
93⅛	93	Br. Gas Gtd. 3½% Sept. 10, 1969-71	93⅛	93⅛	4 3 11	*a*
					4 2 0	*l*
89⅛	87⅛	Br. Iron&Steel3½% Feb. 15, 1979-81	88*	88⅛*	4 4 5	*a*
					4 3 10	*l*

(*a*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*s*) Assumed average life 13 years 0 months. * Ex dividend.

Prices, Year 1952 Jan. 1 to Jan. 30 High	Low	Ordinary Stocks	Price, Jan. 23, 1952	Price, Jan. 30, 1952	Yield, Jan. 30, 1952 £ s. d.	
8⅛	7⅛	Anglo-Am. 10/-	8⅛	7⅝	3 16 0	
5⅛	5⅛	Anglo-Iran £1	5⅛	5⅛	5 3 3	
84/-	71/6	Assoc. Elect. £1	73/9	73/9	5 8 5	
104/9	98/9	Assoc. P. Cem. £1	101/3	99/4½	5 10 8	
32/4½	29/4½	Austin 5/-	30/-	29/6	7 12 7	
129/3	112/6	Bass £1	113/9	113/9	7 10 7	
23/-	20/7½	Boots 5/-	21/6	21/-	4 15 3	*a*
30/-	26/1½	Br. Celanese 10/-	28/3	28/-	3 4 3	
85/9	77/9	Br. Oxygen £1	78/6	79/6	5 0 8	
52/9	46/10½	Coats £1	48/9	48/1½	5 4 6	
46/-	41/4½	Courtaulds £1	42/6	42/3	5 6 6	
20/6	18/3	Distillers 4/-	19/-	18/6	4 17 4	
61/3	54/-	Dunlop £1	55/7½	55/-	6 7 3	
51/4½	46/-	Ford £1	47/6	46/6	5 7 6	
92/3	81/3	Gen. Elect. £1	85/-	82/6	5 9 2	
125/3	117/-	Guinness £1	118/1½	118/1½	4 14 10	
36/7½	32/1½	Hawker Sid. £1	32/9	32/9	6 2 2	
47/4½	41/-	Imp. Chem. £1	42/3	42/3	5 13 7	
91/10½	84/6	Imp. Tobacco £1	85/-	86/3	7 7 10	
43/1½	39/3	Lancs. Cotton £1	40/-	39/4½	7 12 4	
49/6	47/-	Lever £1	48/1½	48/1½	5 13 3	
57/3	55/9	London Brick £1	56/10½	56/3	5 6 8	
89/6	80/3	Marks & Sp. A. 5/-	83/6	81/3	4 14 4	
46/1½	42/-	P. & O. Def. £1	44/6	42/6	5 0 5	*c*
39/3	35/-	P. Johnson 10/-	36/-	36/-	6 18 11	
97/2½	85/11½	"Shell" Stk. £1	91/3*	90/-	5 5 7	
5⅛	4⅛	Tube Investmt. £1	5⅛	5	5 0 0	
89/9	85/3	T. & Newall £1	86/10½	86/10½	4 12 0	
45/3	42/3	Union Castle £1	44/-	43/-	4 13 0	
59/10½	57/-	U. Sua Betong £1	57/6	56/10½	17 11 8	
46/3	42/10½	Vickers £1	43/9	43/9	5 14 3	
44/1½	40/10½	Woolworth 5/-	41/6	41/-*	5 3 8	

(*a*) Yield basis 20% after capital bonus. (*c*) Yield basis 10⅓% after capital bonus. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 26, 1952, total ordinary revenue was £182,162,000 against ordinary expenditure of £63,040,000 and issues to sinking funds £460,000. Thus, including sinking fund allocations of £19,123,000, the surplus accrued since April 1, 1951, is £128,197,000 compared with a surplus of £422,488,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951–52 £'000	April 1, 1950 to Jan. 27, 1951	April 1, 1951 to Jan. 26, 1952	Week ended Jan. 27, 1951	Week ended Jan. 26, 1952
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	916,216	1077650	104977	119505
Sur-tax	128,000	78,900	84,800	5,300	5,800
Estate, etc., Duties	180,000	150,550	151,200	3,300	3,300
Stamps	55,000	43,460	51,100	1,000	1,200
Profits Tax & E.P.T.	312,650	267,980	263,300	4,200	3,700
Other Inland Rev.	500	340	360	150	30
Special Contributn.	1,500	4,200	2,340	80	50
Total Inland Rev.	2302400	1427536	1630750	119007	133585
Customs	930,500	730,620	821,044	8,746	11,091
Excise	720,500	579,571	599,626	31,371	19,531
Total Customs and Excise	1651000	1310191	1420670	40,117	30,622
Motor Duties	62,000	54,121	56,322	16,294	16,273
Surplus War Stores	20,000	35,953	30,667	20	...
Surpl's from Tradg.	50,000	41,905	75,455	...	1,000
P.O. (Net Receipts)	5,400	1,400	...	1,400	...
Wireless Licences	13,600	8,650	9,200	...	...
Sundry Loans	27,000	22,876	22,451	...	543
Miscell. Receipts	105,000	66,151	80,795	185	138
Total Ord. Rev.	4236400	2968783	3326310	177023	182162
SELF-BALANCING					
Post Office	179,431	139,300	155,800	2,800	4,800
Income Tax on E.P.T. Refunds	4,900	7,033	4,399	91	103
Total	4420731	3115116	3486509	179914	187065

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	367,011	397,061	3,005	3,134
Payments to N. Ireland	38,000	29,596	31,273	2,097	2,266
Other Cons. Funds	11,000	8,802	10,005	...	...
Total	584,000	405,409	438,339	5,092	5,400
Supply Services	*3514062	2126974	2740651	45,934	57,640
Total Ord. Expd.	*4098062	2532383	3178990	51,026	63,040
Sinking Funds	...	13,912	19,123	150	460
Total (excl. Self-Bal. Expd.)	4098062	2546295	3198113	51,166	63,500
SELF-BALANCING					
Post Office	179,431	139,300	155,800	2,800	4,800
Income Tax on E.P.T. Refunds	4,900	7,033	4,399	91	103
Total	4282393	2692628	3358312	54,057	68,403

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £225,474 to £3,970,442, the other operations for the week decreased the National Debt by £101,088,055 to £26,247 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	125
Local Authorities Loans Act, 1945, s. 3(2)	8,800
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	200
Coal Industry Acts, 1946 to 1951	1,540
Overseas Resources Development Act, 1948, s. 17(1) Colonial Development	750
Miscellaneous Financial Provisions Acts, 1946 and 1950: Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947: Postwar Credits	334
	17,349

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	100	Treasury Bills	42,174
Other Debt:—		2½% Def. Bonds	635
Internal	175	3% Def. Bonds	272
		3% Ter. Annuities	1,823
		Tax Reserve Certs.	48,339
		Ways & Means Advances	7,120
		Treasury Deposits	1,000
	275		101,363

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Jan. 27	3200·0	1801·9	407·8	...	420·0	5829·7
Oct. 27	3270·0	2287·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
,, 10	3260·0	2323·2	332·8	...	150·0	6066·0
,, 17		4586·5*	274·7	...	125·0	4986·2
,, 24		4571·6*	292·6	...	125·0	4989·3
Dec. 1		4593·3*	304·8	...	125·0	5023·1
,, 8		4631·1*	289·0	3·0	123·0	5046·1
,, 15		4718·1*	207·7	...	123·0	5048·8
,, 31		4782·9*	252·5	5·8	119·0	5160·1
1952						
Jan. 5		4760·0*	267·7	...	116·5	5144·2
,, 12		4723·4*	256·8	...	80·5	5060·7
,, 19		4643·5*	277·8	...	80·5	5001·8
,, 26		4601·4*	270·7	...	79·5	4951·5

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Jan. 26	240·0	337·8	240·0	10 2·92	61
Oct. 26	230·0	313·4	230·0	10 2·91	63
Nov. 2	230·0	330·1	230·0	10 2·38	54
,, 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	179·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55

On January 25th applications for 91 day bills to be paid from January 28 to February 2, 1952, were accepted dated Monday to Saturday as to about 55 per cent at £99 15s. 0d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £170 million were offered on February 1st. For the week ending February 2nd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 42 Weeks ended Jan. 20, 1951	Totals 42 Weeks ended Jan. 19, 1952	Week ended Jan. 19, 1952
Savings Certificates:—			
Receipts	70,900	123,500	2,700
Repayments	104,700	109,200	3,000
Net Savings	*Dr 33,800*	14,300	*Dr 300*
Defence Bonds:—			
Receipts	13,560	47,184	1,230
Repayments	39,619	58,728	1,270
Net Savings	*Dr 26,059*	*Dr 11,544*	*Dr 40*
P.O. and Trustee Savings Banks:—			
Receipts	524,855	561,667	14,561
Repayments	568,606	645,367	13,559
Net Savings	*Dr 43,751*	*Dr 83,700*	1,002
Total Net Savings	*Dr 103610*	*Dr 80,944*	662
Interest on certificates repaid	23,266	27,164	780
Interest accrued	101,358	101,888	2,443
Change in total invested	*– 25,519*	*– 6,220*	+ 2,325

BANK OF ENGLAND RETURNS

JANUARY 30, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1353,824,316	Other Govt. Securities	1385,768,525
In Bankg. Department	46,532,507	Other Secs.	704,974
		Coin (other than gold)	2,511,401
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	309,252,853
Rest	3,779,698	Other Secs.:—	42,275,476
Public Deps.:—	16,035,169	*Discounts and*	
*Public Accts.**	*15,508,524*	*Advances*	*7,861,509*
H.M. Treas. Special Acct.	*526,645*	*Securities*	*34,413,967*
Other Deps.:—	365,281,465		
Bankers	*277,785,373*	Notes	46,532,507
Other Accts.	*87,496,092*	Coin	1,588,496
	399,649,332		399,649,332

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Jan. 31	1952 Jan. 16	1952 Jan. 23	1952 Jan. 30
Issue Dept.:—				
Notes in circulation	1282·0	1367·3	1353·6	1353·8
Notes in banking department	68·3	33·1	46·7	46·5
Government debt and securities*	1345·2	1396·8	1396·8	1396·8
Other securities	0·8	0·7	0·7	0·7
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·0	13·0	14·7	15·5
Treasury Special Account	2·4	0·5	0·5	0·5
Bankers	297·9	297·7	287·6	277·8
Others	86·7	86·2	85·1	87·5
Total	400·0	397·4	387·9	381·3
Securities:—				
Government	293·6	345·5	297·4	309·3
Discounts, etc.	19·7	12·6	37·4	7·9
Other	35·6	22·7	23·1	34·4
Total	348·9	380·8	357·9	351·6
Banking dept. res.	69·4	34·8	48·3	48·1
"Proportion"	% 17·3	% 8·7	% 12·4	% 12·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Jan. 23, 1951	Jan. 15, 1952	Jan. 29, 1952
Cereals and meat	157·6	180·4	180·2
Other foods	169·1	192·2	193·8
Textiles	327·7	266·6	256·3
Minerals	321·2	373·2	374·5
Miscellaneous	189·2	195·0	195·9
Complete Index	**219·0**	**229·5**	**228·4**
1913=100	*301·3*	*314·4*	*314·3*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 24	77·0	88·00	192 11	106 0
,, 25	77·0	88·00	192 10	105 12
,, 26	Markets Closed		Markets Closed	
,, 28	77·0	88·00	193 5	105 15
,, 29	77·0	88·00	192 13	105 12
,, 30	77·0	88·00	Markets Closed	

COMPANY MEETINGS

ALEXANDERS DISCOUNT COMPANY

AN EVENTFUL YEAR

SIR ERIC GORE BROWNE'S REVIEW

The eighty-fourth annual general meeting of Alexanders Discount Company Limited will be held on February 20th at 24, Lombard Street, London, E.C.3.

The following is an extract from the statement by the chairman, Sir Eric Gore Browne, D.S.O., O.B.E., T.D., which has been circulated with the report and accounts:—

The year for which we now account, 1951, was an eventful one for the London Money Market. During the first quarter there was a steep rise in commodity prices, and other factors ensued which enabled the sterling area to add to its gold and dollar reserves and to suspend Marshall aid ahead of schedule. By midsummer the position was reversed; heavy buying by the sterling area, coupled with a falling tendency in prices, resulted in a fresh dollar deficit which increased in volume during the autumn. In the result, this country was faced with an increasing deficit, not only in relation to the dollar area, but also within the sterling area and the European Payments Union. Then came the general election, and the return of the Conservative party with a small majority, and, on November 7th, the bank rate was increased from 2 per cent. to 2½ per cent. Thus the Bank of England once more resumed its traditional function of exercising greater control over the volume of credit. We welcome this change of policy on the part of His Majesty's Government.

The result has been that the "special buyer" can no longer be relied upon to buy Treasury bills at the market price, and that when we are compelled to borrow money from the Bank of England we have to do so at a rate which is at present 2 per cent. for a minimum period of 7 days. In consequence, bill rates have risen sharply, and the rate for Treasury bills is now about 1 per cent. compared with ½ per cent., while the rate for three months bank bills is 1½ per cent. compared with ⅛ per cent. a year ago.

Simultaneously with the rise in the bank rate His Majesty's Government decided to fund part of the Treasury bill issue, and £1,000 million of these bills were converted into serial funding stock maturing in one, two, and three years time. These operations caused a fall in the price of government securities, but I am glad to say that your company was not unprepared for this important milestone in its long history.

THE ACCOUNTS

The balance sheet shows an increase in deposits from £140,677,567 to £144,921,025, an increase in bills discounted from £83,467,405 to £88,719,407, a decrease in British Government securities from £59,264,313 to £58,653,098, and an increase in our balance sheet total from £144,798,867 to £149,069,175.

The profit and loss account shows a balance of profit of £146,550, a decrease of £18,550 compared with last year's figure of £165,100. You will note that this year we are showing the balance of profit after deducting current expenses. We propose to pay the same dividends as last year and to carry forward £482,000 compared with £452,000 in the previous year.

The Chancellor of the Exchequer has again emphasised the need for restraint, and, in the uncertainties of the times, you will, I am sure, agree that it is vitally important for us to increase our reserves as much as possible.

THE UNION DISCOUNT COMPANY

AN EVENTFUL YEAR

LORD KENNET ON GOVERNMENT'S ANTI-INFLATIONARY MEASURES

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 21st at 39, Cornhill, London, E.C.

The following is the statement by the chairman, The Rt. Hon. Lord Kennet of the Dene, P.C., G.B.E., D.S.O., which has been circulated with the report and accounts for the year ended December 31, 1951:—

The chief event in the affairs of your company in the past year, was the capitalisation in July last of £1,283,333 by transfer from share premium account to capital account, making the issued capital £5,133,333.

In the money market generally it has been an eventful year. On November 7th the Bank Rate was raised to 2½ per cent., the first move for many years, and it was indicated to the discount market that they could no longer count upon an automatic supply of cheap money. £1,000 million of outstanding Treasury Bills were converted into Serial Funding Loans due in 1952/3/4. We welcome these changes as an earnest that the Government intends actively to strive to stop inflation.

A discount house is a view point from which to watch the state of national commerce and industry and its relation to the money market. It may therefore be relevant to record the impression received from that outlook, of the vital necessity that a sound national economy should be restored by balancing the account of national production and consumption.

Thus has ended a period in which there was exceptionally little elasticity and variety in the business of the discount market. This change will emphasise the utility of the service which the discount market renders.

The reduction in the amount of Treasury Bills outstanding by the conversion mentioned has led to a considerable reduction in our total of bills discounted which is £66,030,189 lower at £150,720,014. On the other hand there has been much more activity in Commercial Bills which is only partly reflected by the increase of £3,297,372 in the figure of Commercial Bills rediscounted, shown as a note in the balance sheet.

INCREASED TOTAL OF SECURITIES

Another important change is the increase in the total of our securities, which is £11,787,027 larger than the figure for the previous year. The increase came towards the end of the year when for various reasons, such as a need for liquidity, etc., holders were disposed to sell short dated British Government securities.

It will be gratifying for you to know that such depreciation as there was in the value of our securities, was more than provided for out of the year's trading profits which, after providing for rebate, amortisation of premium on securities, depreciation of securities at December 31, 1951, and taxation, showed, after transfer to reserve for contingencies, an increase of £4,548 to £331,533.

This leaves us with a balance carried forward on the profit and loss account of £934,921.

In the more difficult conditions prevailing, we gratefully recognise the co-operation and good will of the banks and financial houses to whom we, for our part, try to render useful service.

The staff has earned your sincere thanks for their efforts in an active year.

STERLING ESTATES

MR DOUGLAS OVERALL'S STATEMENT

The twenty-fourth annual general meeting of Sterling Estates, Limited, was held on January 30th in London, Mr Douglas Overall, J.P., F.A.I., the chairman, presiding.

The following is an extract from his circulated statement:—

Rental income totals £124,088, an improvement of £7,213. Rental and investment income is £133,088 and there remains a net revenue of £76,620, an increase of £5,550.

The total income is smaller than that of the previous year and taxation shows a decrease of £9,893, being £47,587. This is some 62 per cent. of the net income, approximating twice the prewar percentage. While this rise is due in some measure to the increase in the standard rate of income tax, principally it is because of the increased rate of profits tax on distributions and operative for three-quarters of the year under review. The total reserves now amount to £273,460. Your board recommend a final dividend of 5½ per cent., less tax, making 8½ per cent. for the year.

Purchases during the year are reflected in the increased rental revenue, although it is not until the year following the benefit of a full year's income is felt. A total of £168,975 has been invested; the properties acquired include freehold and long leasehold shop properties. These purchases show satisfactory initial yields and promise of reversionary increases within the next few years. Renewal of certain leases during the past year will produce in a full year an additional £1,700. A new mortgage advance of £50,000 was arranged during the year upon satisfactory terms. The rate of repayment of existing mortgages remains at approximately £15,000 per annum.

The report was adopted.

BRITISH TABULATING MACHINE COMPANY

YEAR OF FURTHER PROGRESS

The forty-fifth annual general meeting of the British Tabulating Machine Company, Limited, was held on January 31st, in London, Sir Cecil M. Weir, K.B.E., M.C., D.L. (the chairman), presiding.

After referring to his appointment as chairman and to the recent much regretted death of Mr G. H. Baillie, consulting engineer and former director of the company, Sir Cecil Weir said: The accounts show that the real progress of the company's business continues on a satisfactory scale. The profits of the group before taxation show a rise, from £463,725 in 1949-50 to £489,863 in 1950-51. After taxation the net amount available is £212,459.

Revenue has increased in accordance with anticipations and in very nearly the same percentage ratio in the home and export markets. I am glad to say that our direct export trade is very substantial and continually improving.

We are much encouraged by the progress our research and technical staff are making on the development of new equipment and its uses. The Punched Card technique is more and more becoming recognised as an essential concomitant of efficient organisation in business and in industry as well as in Government Departments and public bodies of every kind. We have again had a record year in respect of orders for our equipment.

The report was adopted and a final dividend of 5 per cent., making 8 per cent. for the year, was approved.

TOWN INVESTMENTS LIMITED

SATISFACTORY RESULTS

MR P. M. ROSSDALE'S STATEMENT

The twenty-ninth annual general meeting of Town Investments Limited was held on January 30th at 51, South Audley Street, W.1, Mr P. M. Rossdale, chairman and managing director, presiding. The following is an extract from his statement circulated with the report and accounts for the year ended September 29, 1951.

The accounts now submitted to you reflect the satisfactory result of the year's work. As shown by the consolidated profit and loss account, revenue from properties, less outgoings, has increased from £274,053 to £300,002. The book value of properties owned, after deducting depreciation, stands at £3,401,124 compared with £3,242,740, an increase of £158,384 of which £125,660 relates to subsidiary companies' property holdings, reflecting the policy of the parent company, Town Investments Limited, referred to in my speech last year, of financing the purchase of further properties through its subsidiary companies. Last year I said I could confidently assure you that the dividends to be received in the future from subsidiary companies were more likely to increase than diminish. This year we have received £57,467 from this source as compared with £47,512 last year.

PARENT COMPANY'S RESULTS

The balance sheet of the Parent Company shows the issued ordinary capital at £416,603, this being more than last year's figure by reason of the issue in August last of 37,873 new ordinary shares, at par, to existing ordinary shareholders in the proportion of one for each ten ordinary shares held. This is the third consecutive year that such an issue has been made to ordinary shareholders. Last year I told you that it was your board's hope and expectation from time to time to repeat these issues of ordinary shares. Altogether 103,603 shares have been issued to shareholders at par and a dividend of 15 per cent. has been paid annually. I am sure shareholders appreciate that such issues cannot be continued indefinitely, and although Town Investments Limited and its subsidiary companies continue to expand shareholders must not anticipate further issues in future years.

The Parent Company's profit and loss account shows rents, less outgoings, at £135,251, as compared with £125,802 last year; the surplus on disposal of properties is shown as £15,811, on which income tax and profits tax has been provided, against £31,731 last year, on which income tax and profits tax had also been provided. I have warned you on various occasions that this source of revenue must be regarded as more or less casual and that only in the most exceptional circumstances can it be regarded as good business to sell property bringing in a satisfactory income and pay away in tax a large part of the surplus of the realised price over the lower price at which the property had been acquired in the days when money had a different value. Your directors always have to consider whether the net cash to be realised, after payment of tax and costs of sale and repurchase, can be reinvested to produce the same or a better income, otherwise it is seldom prudent to dispose of any property.

The net profit of the company for the year is set out in some detail in the report of the directors and it is interesting to note that after paying all outgoings, including taxes, there is a balance of £21,623 to add to the company's unappropriated profits account.

The report was adopted.

RAPHAEL TUCK AND SONS, LIMITED

JUBILEE YEAR

The fiftieth annual general meeting of Raphael Tuck and Sons, Limited, was held on January 30th in London, Mr Desmond Tuck, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to April 30, 1951:—

This year marks the fiftieth anniversary of the formation of your company. To its achievements in the world of art and to the genius of its founders both during the company's existence and in the many years preceding, when it was a private enterprise, and whose imagination and creative ability have done so much for the development of happy customs that have permeated not only this country but the entire civilised world, I would like to pay tribute.

The policy of your board, some few years ago, of investing capital in kindred manufacturing enterprises, has justified itself in the Group profits it is my pleasure to submit to you. These subsidiaries are useful tributaries to the main stream and affect its volume of business and profits according to the flow they are able to bring to it.

Moreover, they have in our case not been subject to many of those heavy items of expenditure which confront us, the parent company, in ever-increasing measure. A comparison, for instance, between costs of producing and of selling merchandise before the war, of handling orders and delivering them to their consignees, and costs prevailing now, is sufficient in itself to indicate the trend of things.

WIDE DISTRIBUTION POLICY

The choice that has laid open to us has been either to pass all of these increases on to the selling prices of our merchandise or alternatively ourselves to bear the burden of a portion of them. This past year we have adopted the second course, thinking that a continued wide distribution of our products represents a sounder long-term policy than a more immediate one with a higher ratio of profit but with a more restricted distribution would provide.

I referred on the last occasion to the greeting card consciousness of the British public. This, I am glad to say, shows no signs of abatement, and the demand for greeting cards produced for various occasions during the course of the year is meeting with growing popular favour.

THE MODERN SPIRIT

With the tradition of more than three quarters of a century behind us, we can justly claim that our productions breathe the modern spirit of today.

As regards our export trade, I referred last year to the development of manufacturing facilities in countries previously content with the importation of finished merchandise. It would seem, accordingly, that it might become necessary, in order to strengthen our foothold in such countries, ourselves to undertake certain manufacturing there, preferably under arrangement with already established concerns. This possibility is engaging the careful consideration of your directors.

It is gratifying to know that notwithstanding all the revolutionary changes that have taken place in the world, which it would be foolish to ignore, with their effect upon industry in general and ours in particular, the name and reputation of your firm, with its famous trade mark—the Easel and Palette—continues to stand as high as ever.

The report was adopted.

BUKIT KAJANG RUBBER ESTATES, LIMITED

The annual general meeting of this company was held in London on January 30th, Mr Jack Addinsell, the chairman, presiding.

The following is an extract from his circulated statement:—

The year under review has been a difficult one and I regret that I cannot report any improvement in the security conditions as affecting our estates—in fact the latest information from our Bukit Kajang estate in Malacca is of slashing of trees by bandits in our remaining outlying division, while in the Kluang district of Johore where Rengo Malay is situated the terrorists appear to be more active than ever. The infiltration of armed Communists into the Bukit Kajang district, and the numerous incidents at our Johore estate, have accentuated the labour difficulties with which our managers have had to contend. Nevertheless, crops have been maintained at a fair level, output for the year having been 1,553,750 lb. compared with 1,750,300 lb., the drop being mainly due to shortage of labour and absenteeism, as well as unusually wet weather.

Cost of labour and materials continued to rise and compared with the previous year the cost of production has increased by 7d. per lb. This cost includes the higher export duty in respect of which the company paid out £20,709 against £5,698 for the previous year on a larger crop, and outlays on providing protection against the terrorists at the expense of the estates.

The net profit for the year amounted to £112,470, which shows a very satisfactory increase over that for the previous year. The directors recommend a final dividend of 15 per cent., which makes a total of 20 per cent., as against 7½ per cent. for 1949-50.

The report was adopted.

CAMBRIDGE UNIVERSITY SCHOOL OF AGRICULTURE

Applications are invited for a post as Assistant Agricultural Economist in the Provincial Agricultural Economics Service. Starting salary between £360 and £450 per annum according to age and experience. Applicants should possess a degree in Economics and/or Agriculture and should be under 25 years of age. The duties of the post are concerned with the collection and interpretation of data for farm management and enterprise costing schemes.—Applications in writing, stating age and experience, to the Secretary, School of Agriculture, Cambridge, with names of two referees, not later than February 28, 1952.

WANTED URGENTLY by Research organisation. Complete set, runs or single copies, U.S.A. journals: *Public Opinion Quarterly* and *The Journal of Marketing*, etc. Face price paid or offer.—Send details of issues, condition and price required to Box 861.

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SENIOR LECTURER IN COMMERCE AND ACCOUNTING

The Rhodesia University Association intends to appoint a Senior Lecturer in Commerce and Accounting to organise and conduct, with the assistance of part-time lecturers, classes in Salisbury, Southern Rhodesia, for the degree of Bachelor of Commerce in the University of South Africa (and possibly also in the University of London).

The classes are primarily designed to assist students who are already taking correspondence courses from the University of South Africa for the Bachelor of Commerce degree and for the qualification of the Society of Accountants.

Applications for the above post are invited from persons who hold a degree in Commerce from a recognised university. Extensive practical and teaching experience and ability to lecture in specialised accounting subjects are essential.

The salary of the post will be £1,750 per annum, which includes a cost of living allowance. This remuneration will be fixed for an initial period of two years, prior to the university staff being expanded and a scale of salaries laid down. An allowance of £150 will be made towards travelling expenses in the case of a person appointed from overseas, a proportionate refund being required if the officer appointed resigns before the expiry of his contract. Accommodation in Salisbury will be guaranteed to the successful applicant.

Duties are to be assumed as soon as possible after April 1, 1952.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is February 29, 1952.

ASHRIDGE, Course 5, February 8th-11th : The State of the Nation. Introduction, The Rev. Lawrence Waddy, M.A. : Foreign Trade and the Balance of Payments, Ronald Brech, Esq. : Relations in Industry, Bryn Roberts, Esq. : British Agriculture, Sir James Scott Watson, C.B.E. : Some Reflections on Recent Elections, H. G. Nicholas, Esq., M.A. Inclusive fee, £3 15s.—Applications to Secretary, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

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Application form (returnable as soon as possible) from the Clerk to the Governors, Market Road, Chelmsford (stamped addressed foolscap envelope).

B. E. LAWRENCE,
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STATISTICAL ASSISTANT

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TRANSLATIONS from and into French (Technical and Commercial), Julian Jacobs, B.Sc., and Germaine Courtiau, New House, Worminghall, Aylesbury, Bucks. Tel.: Ickford 227.

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Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

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